

PUBLIC DISCLOSURE

October 5, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank of Middlebury
Certificate Number: 8745

111 South Main Street
Middlebury, Indiana 46540

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, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio (LTD) is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of loans are in the institution's AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

The Community Development Test is rated Satisfactory.

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its AAs through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's AAs.

DESCRIPTION OF INSTITUTION

Background

First State Bank of Middlebury (FSBM) is headquartered in Middlebury, Indiana, and operates in northern Indiana. FSBM is owned by Crystal Valley Financial Corporation, a one-bank holding company also based in Middlebury. The institution has no affiliates that offer credit products. FSBM received a Satisfactory rating at its previous FDIC Performance Evaluation, dated August 14, 2017, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

FSBM operates seven offices in the State of Indiana – five in Elkhart County and two in St. Joseph County. The institution did not open or close any offices during the evaluation period, nor did it complete any mergers or acquisitions.

FSBM's loan products include home mortgage, commercial, agricultural, and consumer loans, with its primary focus on home mortgage and commercial lending. The bank also sells mortgages on the secondary market. Additionally, the institution provides a variety of deposit services including checking, savings, and certificates of deposit, and it offers investment advisory services. Alternative banking services include online banking, mobile banking, online bill pay, telephone

banking, automated teller machines, and drive-up facilities. The bank maintains a web site at <https://www.bfirst.bank>.

Ability and Capacity

According to the Consolidated Report of Condition dated June 30, 2020, the bank had total assets of \$674,583,000; net loans totaling \$509,286,000; total deposits of \$516,615,000; and total equity capital of \$76,170,000. On the same date, the net loans-to-total deposits ratio was 98.6 percent, and the net loans-to-total assets ratio was 75.5 percent. The composition of FSBM’s loan portfolio as of June 30, 2020, is shown in the following table. The major categories of loans by dollar volume are home mortgage (includes 1-4 family and multifamily) at 33.7 percent and commercial at 55.3 percent of the total loan portfolio. The bank’s loan portfolio mix is representative of its business strategy and focus. Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet AA credit needs.

Loan Portfolio Distribution as of 6/30/20		
Loan Category	\$(000s)	%*
Construction and Land Development	4,476	0.9
Secured by Farmland	32,108	6.2
1-4 Family Residential	160,730	31.2
Multi-family (5 or more) Residential	12,805	2.5
Commercial Real Estate	149,275	29.0
Total Real Estate Loans	359,394	69.7
Commercial and Industrial	135,723	26.3
Agricultural	5,136	1.0
Consumer	12,758	2.5
Other	4,374	0.8
Less: Unearned Income	(1,965)	(0.4)
Total Loans	515,420	100.0

*Source: 6/30/2020 Call Report; *-Percentages may not add to 100 percent due to rounding.*

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more AAs within which to evaluate its CRA performance. FSBM delineates two AAs in the State of Indiana. Brief descriptions of the AAs are noted below; the evaluation sections for each AA include detailed information.

- Elkhart-Goshen, Indiana Metropolitan Statistical Area (MSA) AA (“Elkhart AA”) – Elkhart County in its entirety.
- South Bend-Mishawaka, Indiana MSA AA (“South Bend AA”) – St. Joseph County in its entirety.

These AAs consist of whole geographies, do not arbitrarily exclude low- or moderate-income areas, and they include all of the geographies where the bank’s offices are located. The AAs are unchanged since the previous evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 14, 2017, to the current evaluation dated October 5, 2020. Examiners used the Intermediate Small Institution Examination Procedures to evaluate FSBM's CRA performance. These procedures include the Small Bank Lending Test and the Community Development Test. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not consider any lending activity performed by affiliates.

Activities Reviewed

Home mortgage loans and small business loans were the bank's primary loan products and were therefore analyzed to assess CRA performance. Specifically, examiners analyzed 2018 and 2019 home mortgage loans reported under the Home Mortgage Disclosure Act (HMDA) data collection requirements and 2019 small business loans. The 2018 to 2019 aggregate data for HMDA reporters is included as a comparison for the bank's performance. The HMDA aggregate data consists of all reporters subject to the HMDA data collection requirements in the AA. All of the institution's 2019 small business loan originations were reviewed as the information was readily available in bank records.

The number and dollar volume of loan products reviewed and presented in this evaluation are listed in the following table.

Home Mortgage and Small Business Lending				
Year	HMDA #	HMDA \$(000's)	Small Business #	Small Business \$(000's)
2018	397	70,145	--	--
2019	391	67,319	215	40,951

Sources: 2018 to 2019 HMDA; 2019 Small Business Loans Bank Data

In the Elkhart MSA AA, home mortgage lending received the greatest weight in this evaluation due to this product comprising the majority of originations by number and dollar volume. In the South Bend MSA AA, home mortgage loans and small business loans received equal weight due to a similar origination volume by number and dollar volume. Small farm loans and consumer loans were not reviewed as these were not major products for the bank.

The loan data reviewed is representative of the bank's lending activity over the entire evaluation period. While 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 individuals and businesses served. Loan data by dollar volume was reviewed for all loan products but is not discussed unless a performance deficiency was noted.

The 2015 American Community Survey (ACS) data and 2019 D&B data are the demographic comparators used in this evaluation. If different demographic data was used, the data source is noted.

For the Community Development Test, community development activities for loans, qualified

investments, and services were reviewed for the period from August 15, 2017, through October 5, 2020. Prior period investments with a balance as of the current evaluation date also qualified if they met community development requirements. Bank management provided data for all qualified community development activities.

The institution’s performance in the Elkhart AA received a full-scope review and the greatest weight when arriving at overall conclusions as it contains the majority of offices, deposits, and loans. The South Bend AA received a limited-scope review as it contained a much lower volume of deposits, offices, and loans. The South Bend AA received a full-scope review at the previous evaluation. The following table details the loan volume by AA.

Lending by Assessment Area		
Assessment Area	Loans (\$000’s)	Loans %
Elkhart	126,853	86.8
South Bend	19,260	13.2
Total	146,113	100.0

Sources: 2018 to 2019 HMDA; 2019 Small Business Loans Bank Data

The following table details the deposit dollar volume and office locations by AA.

Office and Deposit Distribution by Assessment Area				
Assessment Area	Office Number	Office %	Deposits (\$000’s)	Deposits %
Elkhart	5	71.4	494,921	95.8
South Bend	2	28.6	21,694	4.2
Total	7	100.0	516,615	100.0

Source: FDIC Deposit Market Share as of June 30, 2020

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and AA credit needs. The bank’s LTD ratio, calculated from Call Report data, averaged 91.1 percent over the past 12 calendar quarters from September 30, 2017, to June 30, 2020. The ratio ranged from a low of 84.0 percent on September 30, 2017, to a high of 98.6 percent on June 30, 2020. The ratio was 84.0 percent or higher for the entire evaluation period. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. As shown in the following table, FSBM exceeded the ratios of the three similarly-situated banks (SSB). The first two SSBs have offices in FSBM’s AAs.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 6/30/2020 (\$000s)	Average Net LTD Ratio (%)
First State Bank of Middlebury	674,583	91.1
Similarly-Situated Institution #1	936,410	86.1
Similarly-Situated Institution #2	338,270	79.4
Similarly-Situated Institution #3	671,314	85.8
<i>Source: Reports of Condition and Income 6/30/2017 - 6/30/2020</i>		

Assessment Area Concentration

A substantial majority of loans and other lending-related activities are in the institution's AAs. For the total products reviewed, a substantial majority by number and dollar volume were within the institution's AAs. Refer to the following table for details on lending within the AAs.

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		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	315	79.3	82	20.7	397	55,167	78.6	14,978	21.4	70,145
2019	323	82.6	68	17.4	391	54,766	81.4	12,553	18.6	67,319
Subtotal	638	81.0	150	19.0	788	109,933	80.0	27,531	20.0	137,464
Small Business										
2019	181	84.2	34	15.8	215	36,180	88.3	4,771	11.7	40,951
<i>Source: Bank Data</i>										
<i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. Performance is consistent throughout the AAs. Refer to the separate AA discussions for further detail regarding the institution's performance under this criterion.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including low and moderate income) and businesses of different sizes. Performance is consistent throughout the AAs. Refer to the separate AA discussions for further detail regarding the institution's performance under this criterion.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The institution's community development performance demonstrates adequate responsiveness to community development needs in its AAs through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's AAs.

Community Development Loans

FSBM originated 55 community development loans totaling \$19,342,000 during the evaluation period. This level of activity represents 2.9 percent of total assets and 3.8 percent of net loans as of June 30, 2020. In early 2020, Congress created the Paycheck Protection Program (PPP) to assist businesses during the COVID-19 pandemic. PPP loans extended by the bank promoted job retention for low- and moderate-income persons and/or in low- and moderate-income census tracts. Of the institution's 55 community development loans, PPP loans accounted for 42 loans totaling \$4,110,000. Excluding PPP loans, the bank extended 13 community development loans totaling \$15,232,000, representing 2.3 percent of total assets and 3.0 percent of net loans. Many of these non-PPP loans supported job creation for low- and moderate-income persons and affordable housing.

As shown in the following tables, community development loans facilitated affordable housing, community services, economic development, and revitalization/stabilization. These loans demonstrate the bank's responsiveness to community development needs identified through community contacts and examiner assessment, which are discussed further in the individual AAs. Loans outside of the AA equaled three loans totaling \$2,598,000, which included one PPP loan equaling \$20,000 and two non-PPP community development loans totaling \$2,578,000. These loans qualified as community development loans and were considered in the bank's performance evaluation due to the bank's responsiveness to community development needs in its AAs.

The bank's performance represents an increase by number and dollar volume since the previous evaluation period, during which FSBM made 27 community development loans totaling \$11,526,000. CRA Performance Evaluations were reviewed for five SSBs that operate in Indiana, two of which operate in FSBM's AAs. The community development loans-to-total assets ratios of the SSBs ranged from a low of 1.5 percent to a high of 3.0 percent. FSBM's ratio (without PPP loans) of 2.3 percent was higher than two of the SSBs, was comparable to one of them, and was lower than two SSBs. The SSBs' community development loans-to-net loans ratios ranged from a low of 2.0 percent to a high of 6.0 percent. FSBM's ratio (without PPP loans) of 3.0 percent was greater than two SSBs, was comparable to one of them, and was lower than two SSBs.

Overall Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	1	300	0	0	1	1,500	0	0	2	1,800
2018	3	881	0	0	5	7,485	1	4,916	9	13,282
2019	1	100	0	0	0	0	0	0	1	100
YTD 2020	0	0	3	112	29	3,491	11	557	43	4,160
Total	5	1,281	3	112	35	12,476	12	5,473	55	19,342

Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020

Overall Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
Elkhart	4	1,053	3	112	31	9,865	9	296	47	11,326
South Bend	1	228	0	0	1	13	3	5,177	5	5,418
Outside of AAs	0	0	0	0	3	2,598	0	0	3	2,598
Total	5	1,281	3	112	35	12,476	12	5,473	55	19,342

Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020

One example of a community development loan extended outside the AAs is as follows:

- One loan equaling \$1,163,000 funded the building expansion for a new manufacturing line and created jobs for low- and moderate-income persons. This loan was in a town just outside of the AA.

Qualified Investments

FSBM's qualified investments during this evaluation period totaled \$1,115,000, as shown in the following table. This figure includes \$257,000 in donations within the AAs. The dollar volume of investments decreased from the previous evaluation, during which FSBM made investments totaling \$2,324,000. Only two new security investments totaling \$858,000 were purchased during the evaluation period, and they were in the South Bend AA. However, the bank's qualified investments responded to needs for economic development and community services, as identified by examiners. FSBM made only donations in the Elkhart AA during the evaluation period, and these donations addressed identified community development needs.

The dollar amount of qualified investments represented 0.2 percent of the bank's total assets and 1.0 percent of the bank's total securities as of June 30, 2020. The bank's level of investment activity was compared to that of five SSBs. The SSBs had total qualified investments-to-total asset ratios ranging from a low of 0.2 percent to a high of 1.3 percent. FSBM's ratio of 0.2 percent equaled the ratios for two SSBs and was lower than three SSBs. The SSBs had total qualified investments-to-total securities ratios ranging from a low of 0.7 percent to a high of 7.4 percent. FSBM's ratio of 1.0 percent exceeded the ratio of one SSB, was equal to one SSB, and was lower than the ratios of three SSBs.

Overall Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000)	#	\$(000)	#	\$(000s)	#	\$(000)	#	\$(000)
Elkhart	6	15	77	196	13	27	1	5	97	243
South Bend	1	*	12	354	1	518	0	0	14	872
Total	7	15	89	550	14	545	1	5	111	1,115

Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020; *-Does not round to \$1,000

Community Development Services

During the evaluation period, bank staff provided 132 community development services within the AAs. This was an increase from the previous evaluation where the bank extended 90 community development services. Services include serving on committees and boards of qualified community development purpose organizations. FSBM averaged 44 services per year. This level of services was higher than four of the SSBs; the number of services was not provided for one of the SSBs. The following tables detail the community development services by year, AA, and community development category.

Overall Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Elkhart	4	111	1	0	116
South Bend	0	12	4	0	16
Total	4	123	5	0	132

Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020

Overall Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2017	0	20	0	0	20
2018	0	45	1	0	46
2019	2	37	2	0	41
YTD 2020	2	21	2	0	25
Total	4	123	5	0	132

Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020

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.

**ELKHART-GOSHEN, INDIANA METROPOLITAN STATISTICAL AREA –
Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN ELKHART-
GOSHEN METROPOLITAN STATISTICAL AREA #21140**

FSBM’s Elkhart AA in the State of Indiana is comprised of Elkhart County in its entirety. Five offices, including the main office, operate in this AA and provide a full range of products and services. FSBM’s main office is within the community of Middlebury, and the bank operates two offices each in the communities of Elkhart and Goshen.

Economic and Demographic Data

This AA includes 36 census tracts. These tracts reflect the following income designations according to the 2015 ACS:

- 1 low-income tract,
- 7 moderate-income tracts,
- 23 middle-income tracts, and
- 5 upper-income tracts.

The following table provides a summary of the demographics, housing, and business information within the AA.

Demographic Information of the Assessment Area						
Assessment Area: Elkhart						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	2.8	19.4	63.9	13.9	0.0
Population by Geography	200,685	1.0	19.3	59.5	20.3	0.0
Housing Units by Geography	77,880	1.5	18.9	61.0	18.6	0.0
Owner-Occupied Units by Geography	48,955	0.4	12.3	63.7	23.7	0.0
Occupied Rental Units by Geography	21,484	3.1	30.6	56.7	9.6	0.0
Vacant Units by Geography	7,441	4.3	28.7	55.5	11.6	0.0
Businesses by Geography	12,972	1.2	15.7	63.6	19.5	0.0
Farms by Geography	563	0.2	5.7	65.2	29.0	0.0
Family Distribution by Income Level	50,577	19.0	18.1	23.4	39.5	0.0
Household Distribution by Income Level	70,439	21.6	17.2	20.6	40.6	0.0
Median Family Income MSA - 21140 Elkhart-Goshen, IN MSA		\$55,551	Median Housing Value			\$121,127
			Median Gross Rent			\$708
			Families Below Poverty Level			12.4%
<i>Source: 2015 ACS and 2019 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>						

The largest employment sectors in the AA are manufacturing, retail trade, government, and services. Approximately 50.0 percent of employment is in manufacturing, and many of the jobs are related to the recreational vehicle industry. Major employers within the AA are as follows: Thor Industries Inc., Forest River Inc., Lippert Components Inc., Beacon Health Systems, Patrick Industries, and Elkhart Community Schools.

The economy in the AA remained stable during the evaluation period until the onset of the COVID-19 pandemic in early 2020. The unemployment rate increased in Elkhart County when the pandemic stay-at-home orders were issued in late March, and higher unemployment is still reflected in the July 2020 rate. All unemployment rates are from the Bureau of Labor Statistics. The July 2020 rate was 8.1 percent in Elkhart County, which was comparable to the 7.9 percent Indiana statewide rate. The county's comparable unemployment rate indicates it is performing at a level similar to the State of Indiana as a whole. Unemployment was much lower one year ago when the July 2019 rate was 3.8 percent in Elkhart County.

The AA's economy relies heavily upon small businesses. According to 2019 D&B data, 12,972 non-farm businesses are located in the AA. In addition, 60.4 percent of the businesses have four or fewer employees and 87.2 percent operate from a single location. The bank's performance of lending to small businesses is compared to the percentage of businesses reporting gross annual revenue of \$1 million and less, as noted in the following 2019 D&B data (due to rounding, totals may not add to 100.0 percent):

- 79.7 percent have \$1 million and less.
- 8.3 percent have more than \$1 million.
- 11.9 percent have unknown revenues.

The FFIEC-updated median family income is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. The categories are based on the 2018 and 2019 FFIEC-updated median family incomes for the Elkhart AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Elkhart-Goshen, IN MSA Median Family Income (21140)				
2018 (\$61,100)	<\$30,550	\$30,550 to <\$48,880	\$48,880 to <\$73,320	≥\$73,320
2019 (\$69,100)	<\$34,550	\$34,550 to <\$55,280	\$55,280 to <\$82,920	≥\$82,920
<i>Source: FFIEC</i>				

Competition

The AA is a highly competitive market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2020, 16 financial institutions operated 54 full-service offices within the AA. FSBM ranked fourth in market share, holding 13.6 percent of all deposits. Furthermore, there is a high level of competition for home mortgage loans within the AA. In 2019, 238 lenders reported 7,192 home mortgage loans originated or purchased. FSBM ranked fifth in this group of lenders with a 4.1 percent market share. The level of competition is high considering the size and population of the AA, the number of financial institution offices for banking services, and the number of lenders providing HMDA loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available. Examiners completed one community contact for this AA with an economic development entity. The contact said that housing, including affordable housing, and small business loans are community needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business lending represent the primary credit needs in the AA. In addition, community development needs include affordable housing, community services for low- and moderate-income persons, and job creation/retention.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ELKHART-GOSHEN METROPOLITAN STATISTICAL AREA #21140

LENDING TEST

The Lending Test performance in the Elkhart AA is reasonable based on the institution's performance under the Geographic Distribution and Borrower Profile criteria.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. This conclusion is supported by the reasonable dispersion for home mortgage lending, which is the major product in this AA.

Home Mortgage Loans

The geographic distribution of home mortgage loans is reasonable. Refer to the following table for details on the geographic distribution of home mortgage loans. The bank did not make any loans in the low-income census tract in 2018, but the 2018 aggregate performance was very low at 0.2 percent. In 2019, lending in the low-income census tract was comparable to the aggregate data and the owner-occupied housing level.

In the moderate-income census tracts in 2018, the institution's home mortgage lending was slightly below the aggregate and the owner-occupied housing level. In 2019, the lending exceeded the aggregate and was comparable to the owner-occupied housing level. Overall performance is reasonable considering FSBM's reasonable performance in both the low- and moderate-income tracts.

Geographic Distribution of Home Mortgage Loans							
Assessment Area: Elkhart							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2018	0.4	0.2	0	0.0	0	0.0
	2019	0.4	0.3	1	0.3	64	0.1
Moderate							
	2018	12.3	10.3	29	9.9	3,057	6.5
	2019	12.3	10.6	36	12.2	3,695	7.5
Middle							
	2018	63.7	65.4	131	44.6	19,394	41.3
	2019	63.7	63.5	136	46.3	21,324	43.3
Upper							
	2018	23.7	24.0	134	45.6	24,462	52.1
	2019	23.7	25.6	121	41.2	24,126	49.0
Totals							
	2018	100.0	100.0	294	100.0	46,913	100.0
	2019	100.0	100.0	294	100.0	49,209	100.0
<i>Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>							

Small Business Loans

The geographic distribution of small business loans is poor. Refer to the following table for details on the geographic distribution of small business loans. The poor performance is due to the geographic distribution in the moderate-income census tracts. As previously mentioned, there was only one low-income census tract, and the bank's lending was slightly below the business population in that tract.

However, lending in the moderate-income census tracts was poor, as the bank's lending was well below the business population. One of the bank's Goshen offices is in a moderate-income census tract and adjacent to a second one. In addition, one of FSBM's offices in the City of Elkhart is very near the low- and moderate-income census tracts in that community. Given the bank's office locations and the AA demographics, the bank has ample opportunity to extend small business loans to businesses operating out of these tracts.

Geographic Distribution of Small Business Loans					
Assessment Area: Elkhart					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	1.2	1	0.7	72	0.2
Moderate					
2019	15.7	13	8.8	2,338	7.6
Middle					
2019	63.6	84	56.8	19,843	64.6
Upper					
2019	19.5	50	33.8	8,478	27.6
Totals					
2019	100.0	148	100.0	30,731	100.0
<i>Source: 2019 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Loans

The borrower distribution is reasonable for home mortgage loans. Refer to the following table for details on the borrower distribution of home mortgage loans. The lending to low-income borrowers was slightly below the aggregate data in 2018 and was lower than the aggregate by 4.2 percentage points in 2019. Although the number and percentage of loans to low-income borrowers increased in 2019 over the 2018 levels, the aggregate percentage to low-income borrowers also increased in 2019 and, thus, exceeded the bank's lending. The bank's lending is below the low-income family population for each year reviewed, but 12.4 percent of the families have incomes below the poverty level. Many persons with incomes below the poverty level are unable to afford the expenses of homeownership and a mortgage. The aggregate data is a better indicator of loan demand as it is based upon actual loan activity reported by lenders within the AA. Considering the percentage of the AA's population below the poverty level, the bank's lending compared reasonably to the family population. In addition, lending to low-income borrowers compared reasonably to the 2018 aggregate data.

FSMB's lending to moderate-income borrowers was slightly below the 2018 aggregate data but exceeded the 2019 aggregate data. The bank's lending was also above the moderate-income family population for each year. Overall performance is reasonable considering FSBM's reasonable performance in lending to both low- and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Elkhart						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	19.0	6.7	14	4.8	1,013	2.2
2019	19.0	10.3	18	6.1	1,682	3.4
Moderate						
2018	18.1	20.7	55	18.7	5,805	12.4
2019	18.1	23.8	71	24.2	8,253	16.8
Middle						
2018	23.4	24.9	78	26.5	12,685	27.0
2019	23.4	25.0	94	32.0	15,804	32.1
Upper						
2018	39.5	33.1	136	46.3	25,752	54.9
2019	39.5	28.3	96	32.7	21,519	43.7
Not Available						
2018	0.0	14.5	11	3.7	1,658	3.5
2019	0.0	12.6	15	5.1	1,951	4.0
Totals						
2018	100.0	100.0	294	100.0	46,913	100.0
2019	100.0	100.0	294	100.0	49,209	100.0
<i>Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The small business loan distribution by gross annual revenues was reasonable. As shown in the following table, the bank’s lending was below the business population in the \$1 million and less revenue range. However, the business population represents only the businesses in that revenue range and not the population seeking a loan. Given that smaller businesses tend to seek alternative forms of financing, such as home equity lines of credit or credit cards, it is expected that the bank’s performance would trail the percent of businesses reporting revenues of \$1 million and less.

Furthermore, FSBM’s performance was comparable to three SSBs with performance assessed as reasonable in its most recent CRA performance evaluations. For the \$1 million and less revenue range, the results for the SSBs were as follows: SSB 1 – 60.5 percent of 2019 lending (compared to 81.5 percent business population); SSB 2 – 58.1 percent of 2019 lending (compared to 80.2 percent business population); and SSB 3 – 65.4 percent of 2019 lending (compared to 84.6 percent business population).

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Elkhart					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000					
2019	79.7	73	49.3	8,369	27.2
>\$1,000,000					
2019	8.3	75	50.7	22,362	72.8
Revenue Not Available					
2019	11.9	0	0.0	0	0.0
Totals					
2019	100.0	148	100.0	30,731	100.0
<i>Source: 2019 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

The institution's community development performance demonstrates adequate responsiveness to community development needs in its AA through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's AA.

Community Development Loans

The bank funded 47 community development loans totaling \$11,326,000 in this AA during the evaluation period. Refer to the following table for details on these community development loans. The loans included 9 non-PPP community development loans totaling \$7,510,000 and 38 PPP loans totaling \$3,816,000. These loans demonstrate the bank's responsiveness to community development needs identified through community contacts and examiner assessment of such needs. Examples of community development loans include a \$1,396,500 loan to purchase an additional location for a business, which helped create jobs for low- and moderate-income persons, and a \$1,260,000 loan to purchase a business, which resulted in new jobs for low- and moderate-income persons.

Community Development Lending – Elkhart AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	1	300	0	0	1	1,500	0	0	2	1,800
2018	2	653	0	0	3	4,907	0	0	5	5,560
2019	1	100	0	0	0	0	0	0	1	100
YTD 2020	0	0	3	112	27	3,458	9	296	39	3,866
Total	4	1,053	3	112	31	9,865	9	296	47	11,326
<i>Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020</i>										

Qualified Investments

FSBM funded donations totaling \$243,000 during the evaluation period; FSBM made no qualified investments in the AA during the evaluation period. The donations supported community development organizations that helped meet identified community development needs, including affordable housing and community services targeted to low- and moderate-income persons.

Qualified Investments – Elkhart AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
YTD 2020	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0
Qualified Grants & Donations	6	15	77	196	13	27	1	5	97	243
Total	6	15	77	196	13	27	1	5	97	243
<i>Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020</i>										

Community Development Services

During the evaluation period, bank staff provided 116 community development services within the AA. Services included serving on committees and boards of qualified community development organizations. The following table details the community development services by year and community development category. Examples of community development services include employees providing financial education to low- and moderate-income persons and an employee serving on the board of an organization providing child care to low- and moderate-income children. In addition, the bank has a Goshen branch in a moderate-income census tract, which increases access to banking services for the area’s moderate-income residents.

Community Development Services – Elkhart AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2017	0	17	0	0	17
2018	0	42	1	0	43
2019	2	34	0	0	36
YTD 2020	2	18	0	0	20
Total	4	111	1	0	116
<i>Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020</i>					

SOUTH BEND-MISHAWAKA, INDIANA METROPOLITAN STATISTICAL AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN SOUTH BEND-MISHAWAKA METROPOLITAN STATISTICAL AREA #43780

FSBM’s South Bend AA in the State of Indiana is comprised of St. Joseph County in its entirety. The bank operates two offices in the AA and provides a full range of products and services. One office is in South Bend and the second is in Mishawaka.

Economic and Demographic Data

This AA includes 75 census tracts. These tracts reflect the following income designations according to the 2015 ACS:

- 11 low-income tracts,
- 19 moderate-income tracts,
- 26 middle-income tracts, and
- 19 upper-income tracts.

The following table provides a summary of the demographics, housing, and business information within the AA.

Demographic Information of the Assessment Area						
Assessment Area: South Bend						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	75	14.7	25.3	34.7	25.3	0.0
Population by Geography	267,246	8.9	17.9	41.8	31.3	0.0
Housing Units by Geography	115,351	10.8	18.5	45.0	25.7	0.0
Owner-Occupied Units by Geography	69,843	4.9	15.0	44.4	35.7	0.0
Occupied Rental Units by Geography	32,162	19.9	22.4	48.0	9.7	0.0
Vacant Units by Geography	13,346	19.8	27.4	40.6	12.2	0.0
Businesses by Geography	17,536	11.8	16.6	42.8	28.8	0.0
Farms by Geography	474	3.8	8.9	42.0	45.4	0.0
Family Distribution by Income Level	65,126	22.1	16.7	20.1	41.2	0.0
Household Distribution by Income Level	102,005	23.8	16.8	17.7	41.7	0.0
Median Family Income MSA - 43780 South Bend-Mishawaka, IN-MI MSA		\$57,692	Median Housing Value			\$112,830
			Median Gross Rent			\$710
			Families Below Poverty Level			13.3%
<i>Source: 2015 ACS and 2019 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>						

The largest employment sectors in the AA are manufacturing, retail trade, government, and services. Major employers within the AA are as follows: University of Notre Dame, MSM Holdco, LLC, St Joseph Regional Medical Center Inc., Beacon Medical Group, Press Ganey Associates Inc., and AM General LLC.

The economy in the AA remained stable during the evaluation period until the onset of the COVID-19 pandemic in early 2020. The unemployment rate increased in St. Joseph County when the pandemic stay-at-home orders were issued in late March, and higher unemployment is still reflected in the July 2020 rate. All unemployment rates are from the Bureau of Labor Statistics. The July 2020 rate was 10.2 percent in St. Joseph County, which was greater than the 7.9 percent Indiana statewide rate. The county's unemployment rate indicates that it is performing at a level below the State of Indiana as a whole. Unemployment was much lower one year ago when the July 2019 rate was 4.0 percent in St. Joseph County.

CONCLUSIONS ON PERFORMANCE CRITERIA IN SOUTH BEND- MISHAWAKA METROPOLITAN STATISTICAL AREA #43780

LENDING TEST

The institution's Lending Test performance in the South Bend AA is consistent with the institution's lending performance in the Elkhart AA. The following tables detail FSBM's performance under the Geographic Distribution and Borrower Profile criteria for the loan products reviewed.

Geographic Distribution

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans						
Assessment Area: South Bend						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	4.9	3.5	2	9.5	5,144	62.3
2019	4.9	3.0	2	6.9	139	2.5
Moderate						
2018	15.0	10.2	1	4.8	551	6.7
2019	15.0	10.1	1	3.4	72	1.3
Middle						
2018	44.4	48.1	12	57.1	1,411	17.1
2019	44.4	46.8	13	44.8	2,227	40.1
Upper						
2018	35.7	38.2	6	28.6	1,148	13.9
2019	35.7	40.1	13	44.8	3,119	56.1
Totals						
2018	100.0	100.0	21	100.0	8,254	100.0
2019	100.0	100.0	29	100.0	5,557	100.0
<small>Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</small>						

Small Business Loans

Geographic Distribution of Small Business Loans					
Assessment Area: South Bend					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	11.8	0	0.0	0	0.0
Moderate					
2019	16.6	9	27.3	1,290	23.7
Middle					
2019	42.8	11	33.3	2,068	38.0
Upper					
2019	28.8	13	39.4	2,091	38.4
Totals					
2019	100.0	33	100.0	5,449	100.0
<i>Source: 2019 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

Home Mortgage Loans

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: South Bend						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2018	22.1	9.8	3	14.3	235	2.8
2019	22.1	10.1	3	10.3	262	4.7
Moderate						
2018	16.7	21.0	6	28.6	997	12.1
2019	16.7	21.6	3	10.3	274	4.9
Middle						
2018	20.1	22.1	1	4.8	114	1.4
2019	20.1	22.4	8	27.6	1,693	30.5
Upper						
2018	41.2	33.5	6	28.6	1,478	17.9
2019	41.2	32.8	13	44.8	3,211	57.8
Not Available						
2018	0.0	13.6	5	23.8	5,430	65.8
2019	0.0	13.1	2	6.9	117	2.1
Totals						
2018	100.0	100.0	21	100.0	8,254	100.0
2019	100.0	100.0	29	100.0	5,557	100.0
<i>Source: 2015 ACS; Bank Data, 2018 & 2019 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: South Bend					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000					
2019	81.5	19	57.6	2,316	42.5
>\$1,000,000					
2019	5.9	14	42.4	3,133	57.5
Revenue Not Available					
2019	12.6	0	0.0	0	0.0
Totals					
2019	100.0	33	100.0	5,449	100.0
<i>Source: 2019 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance in the South Bend AA is consistent with the institution’s community development performance in the Elkhart AA. The following tables detail the community development loans, qualified investments, and community development services in this AA.

Community Development Loans

Community Development Lending – South Bend AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2017	0	0	0	0	0	0	0	0	0	0
2018	1	228	0	0	0	0	1	4,916	2	5,144
2019	0	0	0	0	0	0	0	0	0	0
YTD 2020	0	0	0	0	1	13	2	261	3	274
Total	1	228	0	0	1	13	3	5,177	5	5,418
<i>Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020</i>										

Qualified Investments

Qualified Investments – South Bend AA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	0	0	1	340	0	0	0	0	1	340
2019	0	0	0	0	1	518	0	0	1	518
YTD 2020	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	1	340	1	518	0	0	2	858
Qualified Grants & Donations	1	*	11	14	0	0	0	0	12	14
Total	1	*	12	354	1	518	0	0	14	872

*Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020; *-Does not round to 1,000*

Community Development Services

Community Development Services – South Bend AA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2017	0	3	0	0	3
2018	0	3	0	0	3
2019	0	3	2	0	5
YTD 2020	0	3	2	0	5
Total	0	12	4	0	16

Source: Bank Data; Review Period: 8/15/2017 to 10/5/2020

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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