

PUBLIC DISCLOSURE

November 6, 2023

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.

TABLE OF CONTENTS

INSTITUTION RATING	1
DESCRIPTION OF INSTITUTION	1
DESCRIPTION OF ASSESSMENT AREAS.....	2
SCOPE OF EVALUATION.....	3
CONCLUSIONS ON PERFORMANCE CRITERIA.....	4
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	8
ELKHART-GOSHEN, IN MSA ASSESSMENT AREA – Full-Scope Review	8
SOUTH BEND-MISHAWAKA, IN-MI MSA ASSESSMENT AREA-Limited-Scope Review	17
APPENDICES	24
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	24
GLOSSARY	25

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 is reasonable given the institution’s size, financial condition, assessment area credit needs, and economic conditions.
- The bank made a substantial majority of its loans and other lending-related activities in the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

The institution demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

First State Bank of Middlebury (FSB), based in Middlebury, Indiana, operates in north-central Indiana. Crystal Valley Financial Corporation, a one-bank holding company also based in Middlebury, owns FSB. The institution received an overall “Satisfactory” rating at its previous evaluation dated October 5, 2020, at which time examiners utilized Intermediate Small Institution Examination Procedures.

FSB operates a full-service headquarters and five full-service branch offices. The institution’s main office is located in Middlebury, and the five branch offices are located in the communities of Elkhart (2), Goshen (2), and South Bend (1). These offices are located in metropolitan areas. Subsequent to the previous evaluation, FSB opened a new full-service branch office in South Bend

and closed an existing full-service branch office in South Bend. Additionally, the institution opened a loan production office with a deposit-taking automated teller machine in the community of Shipshewana in LaGrange County, which is a nonmetropolitan county.

FSB offers loan products including consumer, home mortgage, and commercial loans. The institution primarily focuses on home mortgage and commercial lending. Additionally, the institution provides a variety of deposit services for individuals and businesses including checking, savings, certificates of deposit, and Health Savings Accounts. Alternative banking services include internet banking, mobile banking, and seven bank-branded automated teller machines. FSB did not engage in any merger or acquisition activity during the evaluation period.

Assets totaled approximately \$752.5 million as of September 30, 2023, and included total loans of \$561.3 million and securities totaling \$144.4 million. The institution’s deposits totaled \$613.3 million as of the same date. The following table details the institution’s loan portfolio.

Loan Portfolio Distribution as of 9/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	27,029	4.8
Secured by Farmland	22,760	4.0
Secured by 1-4 Family Residential Properties	195,897	34.9
Secured by Multifamily (5 or more) Residential Properties	9,621	1.7
Secured by Nonfarm Nonresidential Properties	197,424	35.2
Total Real Estate Loans	452,731	80.6
Commercial and Industrial Loans	89,841	16.0
Agricultural Production and Other Loans to Farmers	8,120	1.4
Consumer Loans	7,625	1.4
Obligations of State and Political Subdivisions in the U.S.	2,381	0.4
Other Loans	664	<1.0
Less: Unearned Income	46	<1.0
Total Loans	561,316	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial constraints or legal impediments that would preclude FSB from reasonably meeting the credit or community development needs of the assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which to evaluate its CRA performance. FSB delineates three assessment areas:

- The Elkhart-Goshen, IN Metropolitan Statistical Area (MSA) Assessment Area, which is comprised of Elkhart County in its entirety.
- The South Bend-Mishawaka, IN-MI MSA Assessment Area, which is comprised of St. Joseph County, Indiana, in its entirety.

- The Indiana Non-MSA Assessment Area, which is comprised of LaGrange County in its entirety. The institution delineated this assessment area in September 2023 with the opening of the deposit-taking automated teller machine in Shipshewana. Considering the timing of this delineation, no lending or community development data is available for analysis. Examiners did not consider FDB’s performance in this assessment area at this evaluation.

The assessment areas conform to the requirements of the CRA regulation, do not arbitrarily exclude low- and moderate-income geographies, and do not reflect illegal discrimination.

Examiners placed greater emphasis on the bank’s performance in the Elkhart-Goshen, IN MSA Assessment Area in the overall conclusions, since this area contains the vast majority of the institution’s deposits and lending activities. Considering the significance of the lending activity and operations in each assessment area, examiners conducted a full-scope review of the Elkhart-Goshen, IN MSA Assessment Area and a limited-scope review of the South Bend-Mishawaka, IN-MI Assessment Area.

The following table outlines the reviewed loans and deposits by assessment area.

Deposits and Loans by Assessment Area						
Assessment Area	Deposits		Home Mortgage Loans		Small Business Loans	
	\$ (000s)	%	#	%	#	%
Elkhart-Goshen, IN MSA	590,284	96.3	1,132	92.3	105	84.7
South Bend-Mishawaka, IN-MI MSA	22,964	3.7	94	7.7	19	15.3
Total	613,248	100.0	1,226	100.0	124	100.0
<i>Sources: Bank Records 1/1/2020 through 12/31/2022 and FDIC Summary of Deposits (06/30/20023)</i>						

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 5, 2020, to the current evaluation dated November 6, 2023. The Intermediate Small Institution Examination Procedures used to evaluate FSB’s CRA performance include two tests: The Small Bank Lending Test (Lending Test) and the Community Development Test. The Appendices include a description of the criteria examiners used to evaluate the institution’s performance under each test.

This evaluation does not include any lending activity performed by affiliates. None of FSB’s affiliates offer credit products or services.

Activities Reviewed

Examiners determined that the bank’s major product lines are home mortgage and small business loans. This conclusion considered the bank’s business focus and loan portfolio composition, and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm loans or other consumer loan products, represent a major product line.

Other loan types, therefore, provided no material support for conclusions or ratings and are not presented.

This evaluation considered all home mortgage loans reported on the bank's 2020, 2021, and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. The bank originated 637 loans totaling \$126.9 million in 2020, 546 loans totaling \$107.8 million in 2021, and 326 loans totaling \$69.3 million in 2022. Aggregate HMDA data for 2020, 2021, and 2022 provided a standard of comparison for home mortgage lending activity in those years. Examiners did not observe material variances in home mortgage lending performance between 2020 and 2021, but did observe some material variances in performance in 2022. Therefore, this evaluation presents FSB's home mortgage lending performance in 2021 and 2022, the most recent years for which aggregate data is available.

Bank records indicated that the lending focus and product mix remained relatively consistent throughout the evaluation period. The bank is not subject to CRA small business loan data collection requirements, and it did not elect to do so. Therefore, examiners selected and analyzed a sample of small business loans granted by the bank in 2022. During the period between January 1 and December 31, 2022, the bank originated 398 small business loans totaling approximately \$74.4 million, from which examiners selected and analyzed a sample of 162 loans totaling \$31.4 million. D&B data from 2022 served as a comparator for small business lending.

FSB's record of originating home mortgage loans contributed more weight to the overall conclusions, as this loan product had the largest volume of originations throughout the review period by number and dollar volume.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the previous CRA evaluation dated October 5, 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Overall, FSB demonstrated reasonable performance under the Lending Test. The institution's Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

FSB's loan-to-deposit ratio is reasonable considering the institution's size, financial condition, and assessment area credit needs. The institution's loan-to-deposit ratio, calculated from Call Report data,

averaged 81.2 percent over the past 12 calendar quarters from December 31, 2020, to September 30, 2023. At the previous evaluation, the institution’s loan-to-deposit ratio averaged 91.1 percent. FSB’s ratio generally declined between the date of the previous evaluation and the quarter ending March 31, 2022, after which it began a steady increase. The decline during the first half of the evaluation period is attributable to deposit growth outpacing loan growth as a result of the COVID-19 pandemic and its economic effects. Examiners selected comparable institutions based on their asset size, market composition, and lending focus. FSB maintained a ratio higher than both comparable institutions, as shown in following table.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2023 (\$000s)	Average Net LTD Ratio (%)
First State Bank of Middlebury	752,523	81.2
Similarly Situated Institution #1	1,149,566	70.4
Similarly Situated Institution #2	340,804	60.2
<i>Source: Reports of Condition and Income 12/31/2020 – 9/30/2023</i>		

Assessment Area Concentration

Overall, FSB made a substantial majority of its loans and other lending-related activities in the assessment areas. By number, FSB made a substantial majority of its home mortgage loans and a majority of its small business loans within its assessment areas. By dollar volume, the institution made a majority of its home mortgage and small business loans in its assessment areas. See the following table for details.

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										
2020	522	81.9	115	18.1	637	99,092	78.1	27,824	21.9	126,916
2021	438	80.2	108	19.8	546	82,167	76.2	25,613	23.8	107,780
2022	266	81.6	60	18.4	326	51,947	75.0	17,338	25.0	69,285
Subtotal	1,226	81.2	283	18.8	1,509	233,206	76.7	70,775	23.3	303,981
Small Business	124	76.5	38	23.5	162	22,576	71.9	8,838	28.1	31,414
<i>Source: Bank Data; Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects overall reasonable dispersion throughout the assessment areas. Performance in the Elkhart-Goshen, IN MSA Assessment Area primarily supports this conclusion. The separate assessment area sections later in this evaluation contain discussions of the performance for this criterion.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, overall reasonable penetration among retail customers of different income levels and businesses of different sizes. Performance in the Elkhart-Goshen, IN MSA Assessment Area primarily supports this conclusion. The separate assessment area sections later in this evaluation contain discussions of the performance for 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 Lending Test rating.

COMMUNITY DEVELOPMENT TEST

FSB's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered FSB's capacity, the need and availability of such opportunities, and the bank's historical performance. The following sections contain descriptions of FSB's performance for each community development activity, and the separate assessment area sections later in this evaluation contain additional details.

Examiners evaluated FSB's community development performance through comparisons to one similarly situated institution. It is also an Intermediate Small Institution, operates in roughly the same geographic areas, and has a similar lending focus.

Community Development Loans

FSB originated 168 community development loans totaling \$46.1 million within the assessment areas during the evaluation period. Among the institution's community development loans were 150 Paycheck Protection Program (PPP) loans totaling \$18.3 million. These were SBA-backed loans that helped businesses keep their workforces employed during the COV-19 pandemic. The program ended on May 31, 2021.

FSB's level of community development lending increased significantly from the previous evaluation period, when the bank originated 55 community development loans totaling \$19.3 million, including 13 non-PPP loans totaling \$15.2 million. Community development loans represent 9.3 percent of average total loans and 6.3 percent of average total assets as of September 30, 2023. Without PPP loans, FSB's community development lending during the evaluation period represents 5.6 percent of average total loans and 3.8 percent of average total assets. This performance exceeded that of a similarly situated institution, and the loans addressed identified community development needs. The following table presents the bank's community development lending by year and purpose. The separate assessment area sections later in this evaluation include additional details.

Community Development Lending - Overall										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2020 (Partial)	2	1,467	0	0	0	0	0	0	2	1,467
2021	3	1,517	1	125	153	28,170	0	0	157	29,812
2022	3	9,842	1	320	1	200	1	1,000	6	11,362
2023 (YTD)	0	0	0	0	1	1,814	2	1,621	3	3,435
Total	8	12,826	2	445	155	30,184	3	2,621	168	46,076

Source: Bank Data

Qualified Investments

FSB’s qualified investments and donations during the evaluation period totaled nearly \$3.0 million, representing 0.4 percent of average total assets and 1.7 percent of average total securities as of September 30, 2023. This slightly exceeds the performance at the previous evaluation and is consistent with a similarly situated institution. The activities addressed identified community development needs.

The following table details the bank’s qualified investments and donations by year and purpose. The separate assessment area sections later in this evaluation include additional details.

Qualified Investments by Year – Overall										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	0	0	1	340	1	508	0	0	2	848
2020 (Partial)	0	0	1	990	0	0	0	0	1	990
2021	0	0	0	0	1	972	0	0	1	972
2022	0	0	0	0	0	0	0	0	0	0
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	2	1,330	2	1,481	0	0	4	2,811
Grants & Donations	5	9	69	156	2	1	0	0	76	165
Total	5	9	71	1,486	4	1,482	0	0	80	2,976

Source: Bank Data

Community Development Services

FSB staff provided 57 instances of community development services across the assessment areas during the evaluation period. These services primarily provided financial expertise or technical

assistance to community development organizations. FSB’s level of community development services was below a similarly situated institution. It also represents a significant decrease over the previous evaluation, when bank staff provided 132 community development services. Nevertheless, FSB’s community development services addressed identified needs. The following table presents community development services by year and purpose. The separate assessment area sections later in this evaluation include additional details.

Community Development Services - Overall					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2020 (Partial)	1	15	2	0	18
2021	1	16	1	0	18
2022	1	14	0	0	15
2023 (YTD)	0	6	0	0	6
Total	3	51	3	0	57
<i>Source: Bank Data</i>					

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, IN MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE ELKHART-GOSHEN, IN MSA ASSESSMENT AREA

FSB’s Elkhart-Goshen, IN MSA Assessment Area includes Elkhart County in its entirety. The institution operates five full-service offices, including its main office, in this assessment area.

Economic and Demographic Data

Based on the 2020 U.S. Census, the assessment area contains 45 census tracts including 2 low-, 10 moderate-, 22 middle-, and 11 upper-income tracts. The 2020 U.S. Census revised the total number of census tracts and their income levels from the prior data based on the 2015 American Community Survey (ACS), which designated 36 census tracts in the assessment area including 1 low-, 7 moderate-, 23 middle-, and 5 upper-income tracts.

The following table details select demographic characteristics of the assessment area based on the 2020 U.S. Census:

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	45	4.4	22.2	48.9	24.4	0.0
Population by Geography	207,047	4.2	20.5	49.7	25.6	0.0
Housing Units by Geography	79,389	4.8	22.3	51.5	21.4	0.0
Owner-Occupied Units by Geography	50,964	2.3	16.9	53.5	27.3	0.0
Occupied Rental Units by Geography	21,398	9.4	31.4	49.1	10.2	0.0
Vacant Units by Geography	7,027	8.6	33.8	45.0	12.7	0.0
Businesses by Geography	19,424	2.8	20.1	54.1	23.0	0.0
Farms by Geography	741	1.5	10.8	45.9	41.8	0.0
Family Distribution by Income Level	50,204	19.2	18.5	22.7	39.7	0.0
Household Distribution by Income Level	72,362	22.2	17.2	19.6	40.9	0.0
Median Family Income MSA - 21140 Elkhart-Goshen, IN MSA		\$70,610	Median Housing Value			\$148,353
			Median Gross Rent			\$807
			Families Below Poverty Level			8.8%
<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>						

Examiners utilized the FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the assessment area in 2021 and 2022.

Median Family Income Ranges – Elkhart-Goshen, IN MSA Assessment Area				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2021 (\$67,500)	<\$33,750	\$33,750 to <\$54,000	\$54,000 to <\$81,000	≥\$81,000
2022 (\$83,600)	<\$41,800	\$41,800 to <\$66,880	\$66,880 to <\$100,320	≥\$100,320
<i>Source: FFIEC</i>				

Services represents the assessment area’s largest industry sector at 29.8 percent, followed by retail trade at 11.0 percent; finance, insurance, and real estate at 10.7 percent; and manufacturing at 5.8 percent. In addition, 58.5 percent of area businesses, which include the agriculture sector, have four or fewer employees, and 90.6 percent operate from a single location.

Of the assessment area’s 79,389 housing units, 64.2 percent are owner-occupied. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. With a median housing value of \$148,353 and a median family income of \$70,610, according to the 2020 U.S. Census, housing is relatively affordable for the assessment area’s slowly growing population.

Data obtained from the U.S. Bureau of Labor Statistics indicates that the September 2023 unemployment rate was 3.3 percent statewide and 3.8 percent for Elkhart County. Consistent with regional and national unemployment trends related to the COVID-19 pandemic, the assessment area experienced a sharp decrease in unemployment rates during the evaluation period as peak pandemic-related unemployment occurred a few months before the start of the evaluation period. Specifically, at month-end May 2020, the unemployment rate for Elkhart County was 12.2 percent.

Competition

The assessment area is a moderately competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 16 financial institutions operated 52 banking offices within the assessment area. Of these institutions, FSB ranked 4th with 12.3 percent of the deposit market share. The five most prominent institutions, including FSB, accounted for 90.4 percent of total deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2022 aggregate HMDA data, 222 lenders originated or purchased 6,645 home mortgage loans in the assessment area. FSB ranked 8th out of this group of lenders with a market share of 3.5 percent. The five most prominent home mortgage lenders accounted for 32.7 percent of total market share.

The bank is not required to collect or report its small business lending data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the level of competition for small business loans. Aggregate data for 2021, the most recent year available, shows that 76 institutions originated 3,358 small business loans in the assessment area, indicating a moderate level of competition. The five most prominent small business lenders accounted for 56.5 percent of total market share.

Community Contacts

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

Examiners interviewed a representative from an economic development organization that operates in the assessment area. The contact cited small business lending as a credit need in the assessment area. The contact said that local small businesses struggle to qualify for traditional small business loans. Local financial institutions, the contact noted, have tried to meet this credit need through financial literacy programs for small business owners and a targeted small business loan fund. Additionally, the contact noted a recent downturn in recreational vehicle sales and manufacturing, which affects the assessment area's economy. The recreational vehicle industry is a key economic driver of the assessment area.

Credit and Community Development Needs and Opportunities

Considering information from community contacts, bank management, and demographic and economic data, examiners determined home mortgage and small business loans represent the primary credit needs in the assessment area. While the contact identified no major unmet credit needs, there remain opportunities for affordable housing, community services targeted to low- and moderate-income individuals, economic development, and revitalization/stabilization activities.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ELKHART-GOSHEN, IN MSA ASSESSMENT AREA

LENDING TEST

FSB demonstrated reasonable performance in this assessment area under the Lending Test. Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, based on the bank's performance in both home mortgage and small business lending.

Home Mortgage Loans

As shown in the following table, the geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on comparisons to the aggregate data. FSB's home mortgage lending in the low-income tracts was consistent with the aggregate performance in both 2021 and 2022.

Within the moderate-income tracts, the institution's lending slightly trailed the aggregate performance in 2021, but was well below the aggregate data in 2022. FSB's home mortgage lending in the low-income tracts in both years and in the moderate-income tracts in 2021 primarily support the overall reasonable performance conclusion.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	0.4	0.3	2	0.5	163	0.2
2022	2.3	2.4	4	1.8	266	0.6
Moderate						
2021	12.3	10.4	34	8.2	4,230	5.4
2022	16.9	14.9	16	7.0	2,151	4.6
Middle						
2021	63.7	65.1	207	49.6	35,939	45.6
2022	53.5	51.7	108	47.4	19,878	43.0
Upper						
2021	23.7	24.2	174	41.7	38,562	48.9
2022	27.3	31.0	100	43.9	23,966	51.8
Totals						
2021	100.0	100.0	417	100.0	78,894	100.0
2022	100.0	100.0	228	100.0	46,261	100.0
<i>Source: 2015 ACS; Bank Data, 2021 & 2022 HMDA Aggregate Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

As shown in the following table, the geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Though FSB made no small business loans in the low-income tracts in 2022, opportunities to lend are limited as there are few businesses in these tracts. FSB's small business lending in the moderate-income tracts 2022 was consistent with the percentage of businesses.

Geographic Distribution of Small Business Loans (2022)					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	2.8	0	0.0	0	0.0
Moderate	20.1	21	20.0	3,150	16.9
Middle	54.1	43	41.0	9,340	50.2
Upper	23.0	41	39.0	6,127	32.9
Totals	100.0	105	100.0	18,617	100.0
<i>Source: 2022 D&B Data; Bank Data.</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration overall among individuals of different income levels and businesses of different sizes in the assessment area. FSB’s reasonable performance in home mortgage and small business lending primarily support the overall reasonable performance conclusion.

Home Mortgage Loans

As shown in the following table, the distribution of borrowers reflects overall reasonable penetration among individuals of different income levels. Examiners focused on comparisons to the aggregate data. FSB’s home mortgage lending to low-income borrowers trailed the aggregate in both 2021 and 2022. Lending to moderate-income borrowers was consistent with the aggregate data in 2021 and slightly trailed it in 2022. Overall, examiners considered FSB’s performance reasonable based primarily on the lending to moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	19.0	7.0	19	4.6	1,750	2.2
2022	19.2	11.3	15	6.6	1,474	3.2
Moderate						
2021	18.1	21.7	97	23.3	12,296	15.6
2022	18.5	24.8	46	20.2	7,401	16.0
Middle						
2021	23.4	25.6	127	30.5	22,866	29.0
2022	22.7	26.3	72	31.6	15,618	33.8
Upper						
2021	39.5	32.2	157	37.7	39,053	49.5
2022	39.7	24.8	72	31.6	17,814	38.5
Not Available						
2021	0.0	13.4	17	4.1	2,929	3.7
2022	0.0	12.8	23	10.1	3,954	8.5
Totals						
2021	100.0	100.0	417	100.0	78,894	100.0
2022	100.0	100.0	228	100.0	46,261	100.0
<i>Source: 2015 ACS; Bank Data, 2021 & 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. As shown in the following table, FSB’s lending to businesses with gross annual revenues of \$1 million or less significantly trailed the percentage of businesses in 2022. However, examiners considered the performance reasonable primarily because this category includes the smallest businesses, which may not yet qualify for traditional bank financing. These businesses often use alternative forms of credit, such as home equity loans or credit cards.

As noted earlier, FSB is not required to collect small business loan data; therefore, examiners do not compare the bank’s performance to aggregate data. Nevertheless, the aggregate data provides insight into local demand. The 2021 aggregate data shows that the level of lending to businesses with gross annual revenues of \$1 million or less was also far below the corresponding percentage of businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category (2022)					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.4	53	50.5	7,327	39.4
>\$1,000,000	5.4	41	39.0	7,872	42.3
Revenue Not Available	9.2	11	10.5	3,418	18.4
Totals	100.0	105	100.0	18,617	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

FSB demonstrates adequate responsiveness to community development needs of the assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

FSB originated 142 community development loans totaling approximately \$29.2 million during the evaluation period in this assessment area. Of these, 131 loans totaling \$14.9 million were PPP loans.

The following table summarizes the institution’s community development lending in the assessment area during the evaluation period by year and purpose.

Community Development Lending – Elkhart-Goshen, IN MSA Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2020 (Partial)	2	1,467	0	0	0	0	0	0	2	1,467
2021	3	1,517	1	125	132	15,189	0	0	136	16,831
2022	1	7,805	1	320	0	0	1	1,000	3	9,125
2023 (YTD)	0	0	0	0	1	1,814	0	0	1	1,814
Total	6	10,789	2	445	133	17,003	1	1,000	142	29,237

Source: Bank Data

Notable examples of FSB’s community development loans include:

- \$125,000 credit facility in 2021 to an education program that employs high school students to construct affordable housing in the assessment area.
- \$250,000 loan in 2022 to a manufacturing firm to fund business expansion that created jobs in a moderate-income tract in the assessment area.

Qualified Investments

FSB made 58 qualified investments and donations in the assessment area during the evaluation period. These investments and donations addressed identified community development needs. The following table summarizes the investments and donations by year and purpose.

Qualified Investments by Year – Elkhart-Goshen, IN MSA Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	0	0	0	0	0	0	0	0	0	0
2020 (Partial)	0	0	1	990	0	0	0	0	1	990
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	1	990	0	0	0	0	1	990
Grants & Donations	5	9	52	132	0	0	0	0	57	141
Total	5	9	53	1,122	0	0	0	0	58	1,131

Source: Bank Data

Notable examples of qualified investments include:

- \$990,000 investment in 2020 to purchase bonds issued by a local school district where most students receive free or reduced-cost lunches. The bonds financed facility improvements.
- \$50,000 donation in 2021 to an organization that provides subsidized summer childcare to low- and moderate-income families, enabling parents to remain employed during the summer break from school.
- \$10,000 donation in 2021 to an organization that provides mentoring and other programs to low- and moderate-income youth.

Community Development Services

FSB staff provided 51 instances of community development services in the assessment area during the evaluation period. The following table details the bank’s community development services by year and purpose.

Community Development Services – Elkhart-Goshen, IN MSA Assessment Area					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2020 (Partial)	1	14	1	0	16
2021	1	15	0	0	16
2022	1	12	0	0	13
2023 (YTD)	0	6	0	0	6
Total	3	47	1	0	51
<i>Source: Bank Data</i>					

Notable examples of the community development services include:

- Between 2020 and 2022, an FSB employee served as president of the Board of Directors of a community development organization that provides job training and financial education to low- and moderate-income youth in the assessment area.
- Between 2020 and 2022, an FSB employee served on the Fundraising Committee of a community development organization that helps low- and moderate-income residents of the assessment area achieve homeownership and obtain necessary home repairs.

**SOUTH BEND-MISHAWAKA, IN-MI MSA ASSESSMENT AREA –
Limited-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE
SOUTH BEND-MISHAWAKA, IN-MI MSA ASSESSMENT AREA**

FSB’s South Bend-Mishawaka, IN-MI Assessment Area is comprised of St. Joseph County in its entirety. The institution operates one full-service branch office in this assessment area. Subsequent to the previous evaluation, FSB opened a branch office within a moderate-income tract near the campus of the University of Notre Dame in South Bend. Roughly six months after opening this new branch office, the institution closed its Cleveland Road branch office in South Bend, which was located within an upper-income tract on the northeast side of the city.

Based on the 2020 U.S. Census, the assessment area contains 82 census tracts including 9 low-, 21 moderate-, 27 middle-, and 24 upper-income tracts, and 1 tract without an income designation. The 2020 U.S. Census revised the total number of census tracts and their income levels from the prior data based on the 2015 ACS, which designated 75 census tracts in the assessment area including 11 low-, 19 moderate-, 26 middle-, and 19 upper-income tracts. The following table details select demographic characteristics of the assessment area based on the 2020 U.S. Census:

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	82	11.0	25.6	32.9	29.3	1.2
Population by Geography	272,912	7.0	23.7	38.2	30.3	0.7
Housing Units by Geography	117,050	7.1	26.0	38.4	27.9	0.6
Owner-Occupied Units by Geography	70,887	4.1	18.5	38.9	38.1	0.4
Occupied Rental Units by Geography	33,493	11.9	38.0	37.8	11.5	0.9
Vacant Units by Geography	12,670	11.3	36.0	37.3	14.2	1.3
Businesses by Geography	27,170	6.4	25.5	35.3	32.1	0.7
Farms by Geography	677	3.8	16.4	47.3	32.1	0.4
Family Distribution by Income Level	63,705	20.4	17.2	22.0	40.4	0.0
Household Distribution by Income Level	104,380	24.8	16.4	17.8	41.0	0.0
Median Family Income MSA - 43780 South Bend-Mishawaka, IN-MI MSA		\$70,437	Median Housing Value			\$128,492
			Median Gross Rent			\$804
			Families Below Poverty Level			10.6%
<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>						

With a median housing value of \$128,492 and a median family income of \$70,437, housing in the

assessment area is relatively affordable. The unemployment rate for St. Joseph County in September 2023 was 3.9 percent, which slightly exceeded the statewide unemployment rate of 3.3 percent. Services represent the largest industry sector in the assessment area at 34.3 percent, followed by finance, insurance, and real estate at 10.9 percent, retail trade at 10.5 percent; and construction at 5.3 percent.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SOUTH BEND-MISHAWAKA, IN-MI MSA ASSESSMENT AREA

LENDING TEST

The institution's Lending Test performance in the South Bend-Mishawaka, IN-MI MSA Assessment Area is consistent with the institution's lending performance in the Elkhart-Goshen, IN MSA Assessment Area. The following sections detail FSB's performance under the Geographic Distribution and Borrower Profile criteria for the loan products reviewed.

Geographic Distribution

Home Mortgage Loans

As shown in the following table, the geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. FSB's home mortgage lending in low- and moderate income tracts in 2021 trailed aggregate performance, while performance in low- and moderate-income tracts in 2022 exceeded aggregate performance. FSB's improved home mortgage lending performance in 2022 supports the overall reasonable performance conclusion.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	4.9	3.8	0	0.0	0	0.0
2022	4.1	2.9	3	7.9	119	2.1
Moderate						
2021	15.0	10.5	1	4.8	126	3.9
2022	18.5	18.9	13	34.2	948	16.7
Middle						
2021	44.4	46.8	10	47.6	1,516	46.3
2022	38.9	38.1	15	39.5	3,152	55.4
Upper						
2021	35.7	38.9	10	47.6	1,631	49.8
2022	38.1	39.7	7	18.4	1,468	25.8
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
2022	0.4	0.4	0	0.0	0	0.0
Totals						
2021	100.0	100.0	21	100.0	3,273	100.0
2022	100.0	100.0	38	100.0	5,687	100.0
<i>Source: 2015 ACS; Bank Data, 2021 & 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

As shown in the following table, the geographic distribution of small business loans reflects excellent dispersion throughout the AA. In 2022, FSB’s small business lending significantly exceeded the percentages of businesses in low- and moderate-income tracts.

Geographic Distribution of Small Business Loans (2022)					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	6.4	3	15.8	887	22.4
Moderate	25.5	7	36.8	1,579	39.9
Middle	35.3	3	15.8	158	4.0
Upper	32.1	6	31.6	1,335	33.7
Not Available	0.7	0	0.0	0	0.0
Totals	100.0	19	100.0	3,959	100.0
<i>Source: 2022 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

Home Mortgage Loans

As shown in the following table, the distribution of borrowers reflects reasonable penetration among individuals of different income levels. FSB's home mortgage lending to low-income borrowers trailed aggregate performance in both 2021 and 2022; however, lending to moderate-income borrowers exceeded aggregate performance in both 2021 and 2022. FSB's lending to moderate-income borrowers; therefore, supports the overall reasonable penetration conclusion.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	22.1	13.5	2	9.5	176	5.4
2022	20.4	15.3	1	2.6	90	1.6
Moderate						
2021	16.7	23.3	7	33.3	815	24.9
2022	17.2	20.9	8	21.1	964	17.0
Middle						
2021	20.1	20.5	6	28.6	1,099	33.6
2022	22.0	21.4	6	15.8	806	14.2
Upper						
2021	41.2	28.8	6	28.6	1,183	36.1
2022	40.4	29.8	8	21.1	1,325	23.3
Not Available						
2021	0.0	13.8	0	0.0	0	0.0
2022	0.0	12.7	15	39.5	2,501	44.0
Totals						
2021	100.0	100.0	21	100.0	3,273	100.0
2022	100.0	100.0	38	100.0	5,687	100.0
<i>Source: 2015 ACS; Bank Data, 2021 & 2022 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of loans reflects reasonable penetration among businesses of different sizes. As shown in the following table, FSB's lending to businesses with gross annual revenues of \$1 million or less significantly trailed the percentage of businesses in 2022. However, examiners considered the performance reasonable primarily because this category includes the smallest businesses, which may not yet qualify for traditional bank financing. These businesses often use alternative forms of credit, such as home equity loans or credit cards.

As noted earlier, FSB is not required to collect small business loan data; therefore, examiners do not compare the bank's performance to aggregate data. Nevertheless, the aggregate data provides insight into local demand. The 2021 aggregate data shows that the level of lending to businesses with gross annual revenues of \$1 million or less was also far below the corresponding percentage of businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category (2022)					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.3	9	47.4	1,314	33.2
>\$1,000,000	3.5	7	36.8	2,414	61.0
Revenue Not Available	9.2	3	15.8	231	5.8
Totals	100.0	19	100.0	3,959	100.0
<i>Source: 2022 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-Mishawaka, IN-MI MSA Assessment Area is consistent with the institution's community development performance in the Elkhart-Goshen, IN MSA Assessment Area. The following tables detail the community development loans, qualified investments, and community development services in this assessment area.

Community Development Loans

Community Development Lending – South Bend-Mishawaka, IN-MI MSA Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2020 (Partial)	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	21	12,981	0	0	21	12,981
2022	2	2,037	0	0	1	200	0	0	3	2,237
2023 (YTD)	0	0	0	0	0	0	2	1,621	2	1,621
Total	2	2,037	0	0	22	13,181	2	1,621	26	16,839
<i>Source: Bank Data</i>										

Qualified Investments

Qualified Investments by Year – South Bend-Mishawaka, IN-MI MSA Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	0	0	1	340	1	508	0	0	2	848
2020 (Partial)	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	1	972	0	0	1	972
2022	0	0	0	0	0	0	0	0	0	0
2023 (YTD)	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	1	340	2	1,481	0	0	3	1,821
Grants & Donations	0	0	17	24	2	1	0	0	19	25
Total	0	0	18	364	4	1,482	0	0	22	1,845
<i>Source: Bank Data</i>										

Community Development Services

Community Development Services – South Bend-Mishawaka, IN-MI MSA Assessment Area					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2020 (Partial)	0	1	1	0	2
2021	0	1	1	0	2
2022	0	2	0	0	2
2023 (YTD)	0	0	0	0	0
Total	0	4	2	0	6
<i>Source: Bank Data</i>					

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.