

PUBLIC DISCLOSURE

October 25, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grundy Bank
RSSD# 715144

201 Liberty Street
Morris, Illinois 60450

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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BANK'S CRA RATING

Grundy Bank is rated Satisfactory.

The bank is meeting the credit needs of its assessment area consistent with its size, location, and economic conditions. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of loans were originated in the bank's assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activity reflects reasonable penetration among borrowers of different income levels and businesses of different revenue sizes. Neither the bank nor this Reserve Bank received CRA-related complaints since the previous performance evaluation.

SCOPE OF EXAMINATION

Grundy Bank's performance was evaluated using the Federal Financial Institutions Examinations Council's (FFIEC) Small Institution Examination Procedures. Performance was evaluated within the context of information about the bank and its assessment area, such as asset size, financial condition, competition, and economic and demographic characteristics. The bank's sole assessment area delineates all of Grundy County, Illinois and a portion of Will County, Illinois, both located in the Chicago-Naperville-Evanston IL Metropolitan Division #16984 (Chicago IL MD 16984), previously known as the Chicago-Naperville-Arlington Heights, IL MD #16974. The assessment area received a full-scope review. Given the bank's loan portfolio composition, products reviewed consisted of Home Mortgage Disclosure Act (HMDA) reportable loans and small business loans.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 17 quarter average loan-to-deposit ratio ending on June 30, 2021, was calculated for the bank, and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's HMDA-reportable and small business loans originated from January 1, 2019 to December 31, 2020, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's HMDA-reportable and small business loans originated in the assessment area, from January 1, 2019 to December 31, 2020, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank's HMDA-reportable and small business loans originated in the assessment area, from January 1, 2019 to December 31, 2020, were reviewed to determine the distribution among

borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.

- **Response to Substantiated Complaints** – Neither Grundy Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. Contacts represented organizations involved with economic development and affordable housing initiatives.

DESCRIPTION OF INSTITUTION

Grundy Bank is a wholly-owned subsidiary of Illinois Valley Bancorp, Inc., a one bank holding company located in Morris, Illinois. The bank operates in the counties of Grundy and Will, with a total of three full-service office locations in middle- and upper- income census tracts. The main office with an attached full-service automated teller machine (ATM) in Morris is located in an upper-income census tract, and the two branches are located in middle-income census tracts in the cities of Morris (referred to as the “Bedford” branch) and Wilmington, Illinois and include full-service ATMs. Since the previous examination, the bank has opened one location (Bedford), closed five ATMs, and relocated one ATM to the Bedford location.

The bank’s total assets equaled \$345.5 million as of June 30, 2021, according to the Uniform Bank Performance Report (UBPR). This represents an increase in asset size of 30.0 percent since the previous evaluation, where the bank reported \$266 million in assets.

The bank offers traditional, non-complex loan and deposit products. Details of the bank’s loan portfolio mix are shown in the table below. Although commercial loans represent the largest portion of the bank’s portfolio, residential real estate loans comprise a significant portion. This mix of lending activities presents the bank with substantial opportunities to meet the credit needs of its community.

Loan Portfolio Composition June 30, 2021		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Commercial	\$93,541	51.2
Residential Real Estate	\$59,701	32.7
Agricultural	\$26,718	14.6
Consumer	\$1,474	0.8
Other	\$1,331	0.7
Total	\$182,765	100.0
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>		
<i>Source: National Exam Database</i>		

There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on September 25, 2017.

DESCRIPTION OF ASSESSMENT AREA

Grundy Bank’s assessment area includes all of Grundy County and a portion of Will County in the Chicago IL MD #16984. The bank’s delineated assessment area is comprised of 22 census tracts, 17 of which are middle-income, four of which are upper-income, and one tract of unknown income. The unknown income tract is associated with a large cemetery and a railroad yard. Although the assessment area remains unchanged since the previous evaluation in September 2017, the income designation of two census tracts has changed; one moderate- and one upper-income have since changed to middle-income tracts due to changes in median family income levels discussed below.

The June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report ranks Grundy Bank 13th out of 43 FDIC-insured institutions with a presence in the Chicago IL MD #16984. The bank held \$261 million in deposits within the market, representing 1.5 percent of the total deposit market share in the Chicago IL MD #16984. The institutions of BMO Harris Bank, JP Morgan Chase Bank, and First Midwest Bank lead the market with 19.5, 16.9, and 16.3 percent, respectively. However, within Grundy County, the bank’s main market area, Grundy Bank ranks second out of 13 institutions. Additionally, Grundy Bank was ranked first out of 267 HMDA lenders originating and purchasing loans in their market in 2020, further demonstrating the institution’s ability to remain competitive.

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau’s American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2016 and 2017. Lending activity performed in 2017 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2016 Designations (#)	2017 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	1	0	-1
Middle	15	17	2
Upper	5	4	-1
Unknown	1	1	0
Total	22	22	0
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2006-2010 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2011-2015</i>			

Additional 2020 assessment area demographic information is presented in the following table.

Assessment Area: 2020 Chicago-Naperville-Evanston, IL MD 16984								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	4,002	18.0
Moderate-income	0	0.0	0	0.0	0	0.0	3,763	16.9
Middle-income	17	77.3	18,222	81.9	1,462	8.0	5,040	22.6
Upper-income	4	18.2	4,033	18.1	124	3.1	9,450	42.5
Unknown-income	1	4.5	0	0.0	0	0.0	0	0.0
Total Assessment Area	22	100.0	22,255	100.0	1,586	7.1	22,255	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	27,872	19,399	81.7	69.6	5,476	19.6	2,997	10.8
Upper-income	5,861	4,347	18.3	74.2	1,204	20.5	310	5.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	33,733	23,746	100.0	70.4	6,680	19.8	3,307	9.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	2,196	1,991	76.1	76.1	159	73.6	46	85.2
Upper-income	688	623	23.8	23.8	57	26.4	8	14.8
Unknown-income	2	2	0.1	0.1	0	0.0	0	0.0
Total Assessment Area	2,886	2,616	100.0	100.0	216	100.0	54	100.0
	Percentage of Total Businesses:			90.6		7.5		1.9
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	140	138	84.3	84.1	2	100.0	0	0.0
Upper-income	25	25	15.1	15.2	0	0.0	0	0.0
Unknown-income	1	1	0.6	0.6	0	0.0	0	0.0
Total Assessment Area	166	164	100.0	100.0	2	100.0	0	0.0
	Percentage of Total Farms:			98.8		1.2		0.0
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Population Characteristics

The following table illustrates the population changes according to the U.S. Census Bureau data from 2010 to 2011-2015. Based on the data, the overall population in the counties comprising the assessment area increased by less than one percentage point since 2010, a minimal increase more reflective of a stagnant population, compared to an increasing population trend at the previous evaluation. The state of Illinois mirrors this steady rate at 0.3 percent increase, reflecting a broader regional population trend. Community representatives attribute the assessment area’s modest population growth to a natural tapering that followed a surge of exponential growth in the region between 2000 and 2010. Another factor contributing to the area’s attraction and subsequent retention of residents is the general affordability of both Will and Grundy Counties, which largely drew in families in search of homes leading up to 2010. While employment opportunities are abundant, both representatives agreed that additional population growth prompted by those opportunities is limited by a low supply of affordable and/or workforce housing.

Population Change 2010 and 2015			
Area	2010 Population	2015 Population	Percentage Change
Grundy County, IL	50,063	50,277	0.4
Will County, IL	677,560	683,995	1.0
Chicago IL MD #16984	7,147,982	7,208,434	0.9
Illinois	12,830,632	12,873,761	0.3
Source: 2010—U.S. Census Bureau: Decennial Census 2011 – 2015 – U.S. Census Bureau: American Community Survey			

Income Characteristics

The U.S. Census Bureau data in the table below illustrate the changes in median family income (MFI) from 2010 to 2011-2015. The MFI in Grundy and Will Counties decreased by 1.8 and 5.5 percent, respectively, on par with modest decreases to income exhibited by the overall metropolitan division and the state of Illinois. Overall MFI in both counties that make up the assessment area remains substantially higher than the area counterparts, with residents of Will and Grundy Counties averaging \$87,950 and \$80,183, respectively. Compared to the state MFI of \$71,546 and the overall metropolitan division average of \$75,024, the differential of the assessment area counties’ wages is substantial. The area’s highly skilled employment base, compounded with the presence of significant industrial developments, drives up demand and thus increases wages for highly skilled trade laborers. Employment retention issues prevalent throughout the country have encouraged employers in the area to offer competitive compensations. One representative highlighted this trend among the larger corporations that have a significant presence in assessment area, who are able to outbid the smaller operations for labor due to fewer budgetary restrictions. Another representative presented the area’s elevated income as a proximate cause of the above-mentioned population surge leading up to 2010, indicating that many of the residents that migrated from Chicago during that period retained their higher paying metropolitan jobs.

Median Family Income Change 2010 and 2015			
Area	2010 Median Family Income	2015 Median Family Income	Percentage Change
Grundy County, IL	\$81,671	\$80,183	-1.8
Will County, IL	\$93,092	\$87,950	-5.5
Chicago IL MD #16984	\$78,230	\$75,024	-4.1
Illinois	\$74,306	\$71,546	-3.7
Source: 2006 - 2010—U.S. Census Bureau: American Community Survey 2011-2015—U.S. Census Bureau: American Community Survey			

Housing Characteristics

The bank’s assessment area includes 33,733 total housing units, 70.4 percent of which are owner-occupied. Approximately 82.0 percent of the assessment area’s housing stock is located in middle-income census tracts, with the remaining 18.1 percent located in upper-income census tracts. These characteristics align with the depiction of the area’s labor market provided by area representatives: a largely skilled workforce in well-paying trade industry jobs. Of the homes in middle-income tracts, nearly 70.0 percent are owner-occupied, suggesting prevalent home ownership among a solid middle class.

The following table presents the recent housing cost burden within the counties that comprise the assessment area, the Chicago IL MD #16984, and the state of Illinois. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. Renters across all income levels in Grundy and Will Counties experience this burden at 35.2 and 46.1 percent, respectively, which reflect higher rates than the housing cost burden among homeowners in those counties at 20.3 and 25.2 percent, respectively. The Chicago IL MD #16984 and the state rates for renters align with Will County, but Grundy County’s overall rate is higher in comparison; it contains the highest percentage of low-income renters experiencing a housing cost burden, at 82.5 percent. The housing cost burden among low-income renters in Will County does not fall far below that of Grundy County at 79.4 percent, which implies a low supply of affordable housing in both counties. Local community representatives confirmed a need for more affordable and workforce housing options in both assessment area counties to support persistent demand for affordable rental options. One potential factor contributing to this housing gap throughout the assessment area is a perceived disinclination of the local municipalities to zone and approve multi-family housing developments.

Housing cost burden rates among homeowners present similar comparative trends to those of renters, with individuals in the low-income levels experiencing higher cost burdens than the average homeowner. Home mortgage trends reflect increases in home mortgage activity from 2014 to 2020 across the assessment area counties and the broader region, nearly doubling in number between 2019 and 2020 alone. These trends suggest a continued increase in demand for home purchases, driving up home values and further indicating that housing cost burdens for low- and moderate- income homeowners will remain elevated.

Housing Cost Burden 2020						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Grundy County, IL	82.5%	22.2%	35.2%	67.0%	33.9%	20.3%
Will County, IL	79.4%	43.4%	46.1%	74.3%	48.2%	25.2%
Chicago IL MD #16984	77.0%	40.7%	45.3%	75.2%	49.5%	28.3%
Illinois	74.9%	36.0%	43.8%	68.8%	39.9%	23.4%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy</i>						

Employment Conditions

The following table presents employment characteristics in the counties that comprise the bank’s assessment area, the Chicago IL MD #16984, and the state of Illinois. Overall, unemployment rates in all areas steadily declined from 2016 to 2019, then experienced a surge in 2020. While much of this increase was attributed to the COVID-19 pandemic, one factor contributing to the elevated rate is the cyclical nature of employment trends in the assessment area. Representatives stated that the large amount of capital projects in the area resulted in employment careers heavily dependent on the construction industry, which is seasonal in nature. As weather conditions dictate operations, lay-offs and subsequent unemployment filings occur en masse when temperatures drop, triggering temporary unemployment conditions which spike unemployment rate numbers and contribute to false indicators of true employment conditions. Notwithstanding the effects of seasonal employment, representatives indicated overall that employee retention problems continue to persist since the onset of the pandemic in 2020, with smaller operations struggling to meet the competition offered by large companies in the area in terms of wages.

Unemployment Rates					
Area	2016	2017	2018	2019	2020
Grundy County, IL	6.9%	5.8%	4.9%	4.7%	8.8%
Will County, IL	6.1%	5.1%	4.2%	4.0%	9.5%
Chicago IL MD #16984	6.0%	5.0%	4.1%	3.8%	10.4%
Illinois	5.9%	5.0%	4.4%	4.0%	9.5%
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

Community Representatives

Examiners contacted two community representatives to be interviewed for this performance evaluation. These discussions provided information and insight on housing as well as economic development in Grundy and Will Counties. Both contacts agreed that the greatest needs of the combined communities lie within economic development, particularly small business support, and affordable (including workforce) housing. One representative stressed the importance of the efforts of local organizations toward improving Will County’s downtown area labeled it’s

“economic engine”, as such projects would be central to facilitating business expansion and retention within the assessment area. Overall, the assessment area benefits from industrial growth due to available land for new warehouses and infrastructure to support increased activity within the logistics industry.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank’s loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank’s assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank’s assessment area.

LENDING TEST

Grundy Bank’s performance relative to the lending test is rated satisfactory based on a reasonable loan-to-deposit ratio, a majority of loans originated within the assessment area, a reasonable dispersion of loans throughout the assessment area, and a reasonable penetration among individuals of different income levels and businesses of different sizes.

Loan-to-Deposit Ratio

Grundy Bank’s loan-to-deposit (LTD) ratio is reasonable given the bank’s asset size, financial condition, and assessment area credit needs. As of June 30, 2021, the 17-quarter average LTD ratio was 68.7 percent, which is on par with its local competitors. The LTD has increased since the previous evaluation; for reference, the LTD ratio over 16 quarters in 2017, was 60.1 percent and was also deemed reasonable.

The following table compares the bank’s LTD ratio to that of its local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	17 – Quarter Average
Grundy Bank	68.7
Competitors	
Security Bank	69.2
BankOrion	69.0
Waterman Bank	68.5
Village Bank	58.0

Assessment Area Concentration

Grundy Bank originated a majority of its loans within the assessment area during the review period of January 1, 2019 to December 31, 2020.

As presented in the table below, the bank originated 71.9 percent of HMDA- reportable loans by number and 70.6 percent by dollar amount within the delineated assessment area. This indicates the bank is actively responding to the credit needs of individual borrowers in the assessment area. The breakdown of small business loans is 68.2 percent by number and 57.9 percent by dollar amount, originated within the delineated assessment area. The rate of small business loans by number compared to the rate of small business loans by dollar amount indicates that the bank is serving its community by lending in large numbers and in smaller loan amounts, which most meaningfully impacts small businesses. This lending pattern is considered especially responsive in the onset year of the COVID-19 pandemic, during which the demand for SBA Paycheck Protection Program (“PPP”) loans greatly increased.

Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase- Conventional	202	68.7	\$35,193	70.2	92	31.3	\$14,963	29.8
Home Purchase- FHA	14	70.0	\$2,119	77.9	6	30	\$601	22.1
Home Improvement	14	70.0	\$719	82.0	6	30	\$158	18.0
Multi-Family Housing	10	52.6	\$3,657	50.8	9	47.4	\$3,538	49.2
Refinancing	442	74.2	\$75,406	71.9	154	25.8	\$29,483	28.1
Total HMDA related	682	71.9	\$117,094	70.6	267	28.1	\$48,743	29.4
Total Small Business related	480	68.2	\$46,190	57.9	224	31.8	\$33,530	42.1
Total Loans	1,162	70.3	\$163,284	66.5	491	29.7	\$82,273	33.5

Note: Percentages may not add to 100.0 percent due to rounding.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The assessment area is comprised of only middle- and upper-income census tracts; therefore, a meaningful analysis could not be performed. However, the dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area. Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts.

Lending to Borrowers of Different Income Levels and to Businesses of Farms of Different Sizes

Grundy Bank's distribution of loans in 2020, reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes in the bank's assessment area. The 2019 borrower distribution tables in Appendix A present similar results.

HMDA-Reportable Lending

The distribution of HMDA-reportable loans to borrowers of different incomes reflects a reasonable dispersion throughout the assessment area. The bank's primary HMDA-reportable products during the review period were home purchase and refinance loans. The remaining HMDA-reportable products will not be evaluated due to low volume.

Home Purchase

Home purchase loans represent approximately 23.6 percent of the bank's total 2020 HMDA-reportable loans originated in the assessment area. The bank originated 9.3 percent of its home purchase loans to borrowers designated as low-income, on par with the aggregate lender rate of 9.3 percent, but falling below the demographic of 18.0 percent of low-income families within the assessment area. The bank's lending rate of 25.9 percent to moderate income borrowers, however, outperforms both the aggregate lender rate of 24.7 percent and the 16.9 percent of families that fall within that same income demographic.

Refinance

Refinance loans represent the largest percentage of the bank's total 2020 HMDA-reportable loans in the assessment area with nearly 75.0 percent of loan originations. The loans originated to low-income borrowers totaled 8.2 percent of all refinance loans. This exceeds the aggregate lender rate of 4.9 percent, but falls below the 18.0 percent of families within the low-income demographic. Similarly, the bank originated 16.7 of its refinance loans to moderate-income borrowers, outperforming the aggregate lender rate of 13.9 percent and falling only slightly below the 16.9 percent of families in the assessment area's moderate-income demographic.

The performance of the bank compared to the aggregate lender with respect to refinances among low-and moderate-income demonstrates a willingness to meet low- and moderate-income credit needs. The bank's outperformance of the aggregate lender is meaningful considering the relevant contextual factors of the review period, the most impactful of which was the onset of the COVID-19 pandemic. The resulting reduction in interest rates motivated borrowers to refinance their existing loans, leading to exponential increases in refinance activity across the country. Thus, the bank's active participation in reaching low- and moderate-income borrowers through refinance activity is particularly responsive for the purposes of this evaluation.

The table below presents the 2020 borrower distribution of HMDA-reportable loans in the assessment area. Please refer to Appendix A for 2019 borrower distribution tables.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2020 Chicago-Naperville-Evanston, IL MD 16984								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison					Families by Family Income %	
		2020			Dollar			
		Count Bank	Agg	Dollar Bank	Agg			
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	10	9.3	9.3	1,239	6.7	6.0	18.0
	Moderate	28	25.9	24.7	3,668	20.0	20.8	16.9
	Middle	24	22.2	27.7	3,796	20.7	28.9	22.6
	Upper	45	41.7	24.2	9,542	52.0	30.5	42.5
	Unknown	1	0.9	14.1	111	0.6	13.8	0.0
	Total		108	100.0	100.0	18,356	100.0	100.0
Refinance	Low	28	8.2	4.9	2,873	4.8	2.9	18.0
	Moderate	57	16.7	13.9	7,302	12.3	10.6	16.9
	Middle	89	26.1	26.6	14,136	23.8	24.8	22.6
	Upper	160	46.9	39.5	31,510	53.0	44.4	42.5
	Unknown	7	2.1	15.2	3,646	6.1	17.3	0.0
	Total		341	100.0	100.0	59,467	100.0	100.0
Home Improvement	Low	2	33.3	8.2	35	7.1	6.7	18.0
	Moderate	0	0.0	11.0	0	0.0	14.1	16.9
	Middle	0	0.0	27.4	0	0.0	21.8	22.6
	Upper	4	66.7	49.3	455	92.9	55.2	42.5
	Unknown	0	0.0	4.1	0	0.0	2.2	0.0
	Total		6	100.0	100.0	490	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	18.0
	Moderate	0	0.0	0.0	0	0.0	0.0	16.9
	Middle	0	0.0	0.0	0	0.0	0.0	22.6
	Upper	1	50.0	13.0	132	67.0	3.1	42.5
	Unknown	1	50.0	87.0	65	33.0	96.9	0.0
	Total		2	100.0	100.0	197	100.0	100.0
Other Purpose LOC	Low	0	0.0	5.9	0	0.0	4.4	18.0
	Moderate	0	0.0	25.0	0	0.0	18.5	16.9
	Middle	0	0.0	16.2	0	0.0	15.2	22.6
	Upper	0	0.0	50.0	0	0.0	57.2	42.5
	Unknown	0	0.0	2.9	0	0.0	4.6	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	7.3	0	0.0	4.8	18.0
	Moderate	0	0.0	10.9	0	0.0	9.5	16.9
	Middle	0	0.0	29.1	0	0.0	20.0	22.6
	Upper	0	0.0	50.9	0	0.0	61.9	42.5
	Unknown	0	0.0	1.8	0	0.0	3.8	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	18.0
	Moderate	0	0.0	0.0	0	0.0	0.0	16.9
	Middle	0	0.0	0.0	0	0.0	0.0	22.6
	Upper	0	0.0	0.0	0	0.0	0.0	42.5
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	40	8.8	6.4	4,147	5.3	4.0	18.0
	Moderate	85	18.6	17.4	10,970	14.0	14.0	16.9
	Middle	113	24.7	26.1	17,932	22.8	25.3	22.6
	Upper	210	46.0	33.4	41,639	53.0	37.9	42.5
	Unknown	9	2.0	16.7	3,822	4.9	18.8	0.0
	Total		457	100.0	100.0	78,510	100.0	100.0
Originations & Purchases 2016 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

The distribution of small business loans reflects a reasonable penetration of lending activity among businesses of different revenue sizes. In 2020, the bank originated 81.6 percent of its loans to businesses with revenues of \$1 million or less, representing a significant increase from the 63.8 percent of loans made to businesses of that size at the previous evaluation. Of the loans made to businesses with revenues of \$1 million or less, 82.5 percent by number were made in amounts of \$100,000 or less, which is considered most beneficial to small businesses, further demonstrating the bank’s willingness to meet small business credit needs. Additional context to support a reasonable penetration of lending activity among businesses of different revenue sizes includes the heavy reliance of businesses and the community on the SBA’s Paycheck Protection Program (“PPP”) loans to survive the pandemic-induced recession. The community depended on local institutions to assist businesses in obtaining the funding, and Grundy Bank actively participated in this initiative. Community representatives confirmed the vital role that community banks served during this period in processing the PPP loan applications, which provides additional support of the particularly responsive nature of the bank’s participation in the PPP program during this review period.

The table below presents the 2020 borrower distribution of small business loans in the assessment area by revenue and loan size. Please refer to Appendix A for 2019 borrower distribution tables.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2020 Chicago-Naperville-Evanston, IL MD 16984							
Product Type		Bank & Demographic Comparison					
		2020		2020		Total Businesses %	
Revenue	Loan Size	Count Bank	Dollar Bank				
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	275	81.6	16,475	63.3	90.6
		Over \$1 Million	62	18.4	9,549	36.7	7.5
		Unknown	0	0.0	0	0.0	1.9
		Total	337	100.0	26,024	100.0	100.0
	Loan Size	\$100,000 or Less	257	76.3	7,382	28.4	
		\$100,001 - \$250,000	54	16.0	8,136	31.3	
		\$250,001 - \$1 Million	26	7.7	10,507	40.4	
		Total	337	100.0	26,025	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	227	82.5	5,740	34.8	
		\$100,001 - \$250,000	32	11.6	4,954	30.1	
		\$250,001 - \$1 Million	16	5.8	5,781	35.1	
		Total	275	100.0	16,475	100.0	
Originations & Purchases							
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Response to Complaints

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A—2019 Demographic and Borrower Distribution Tables

Assessment Area: 2019 Chicago-Naperville-Evanston, IL MD 16984								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	4,002	18.0
Moderate-income	0	0.0	0	0.0	0	0.0	3,763	16.9
Middle-income	17	77.3	18,222	81.9	1,462	8.0	5,040	22.6
Upper-income	4	18.2	4,033	18.1	124	3.1	9,450	42.5
Unknown-income	1	4.5	0	0.0	0	0.0	0	0.0
Total Assessment Area	22	100.0	22,255	100.0	1,586	7.1	22,255	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	27,872	19,399	81.7	69.6	5,476	19.6	2,997	10.8
Upper-income	5,861	4,347	18.3	74.2	1,204	20.5	310	5.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	33,733	23,746	100.0	70.4	6,680	19.8	3,307	9.8
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	2,208	2,007	76.4	76.4	155	74.5	46	83.6
Upper-income	681	619	23.6	23.6	53	25.5	9	16.4
Unknown-income	2	2	0.1	0.1	0	0.0	0	0.0
Total Assessment Area	2,891	2,628	100.0	100.0	208	100.0	55	100.0
	Percentage of Total Businesses:			90.9		7.2		1.9
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0	0.0	0	0.0	
Middle-income	137	135	84.6	84.4	2	100.0	0	0.0
Upper-income	24	24	14.8	15.0	0	0.0	0	0.0
Unknown-income	1	1	0.6	0.6	0	0.0	0	0.0
Total Assessment Area	162	160	100.0	100.0	2	100.0	0	0.0
	Percentage of Total Farms:			98.8		1.2		0.0

2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS

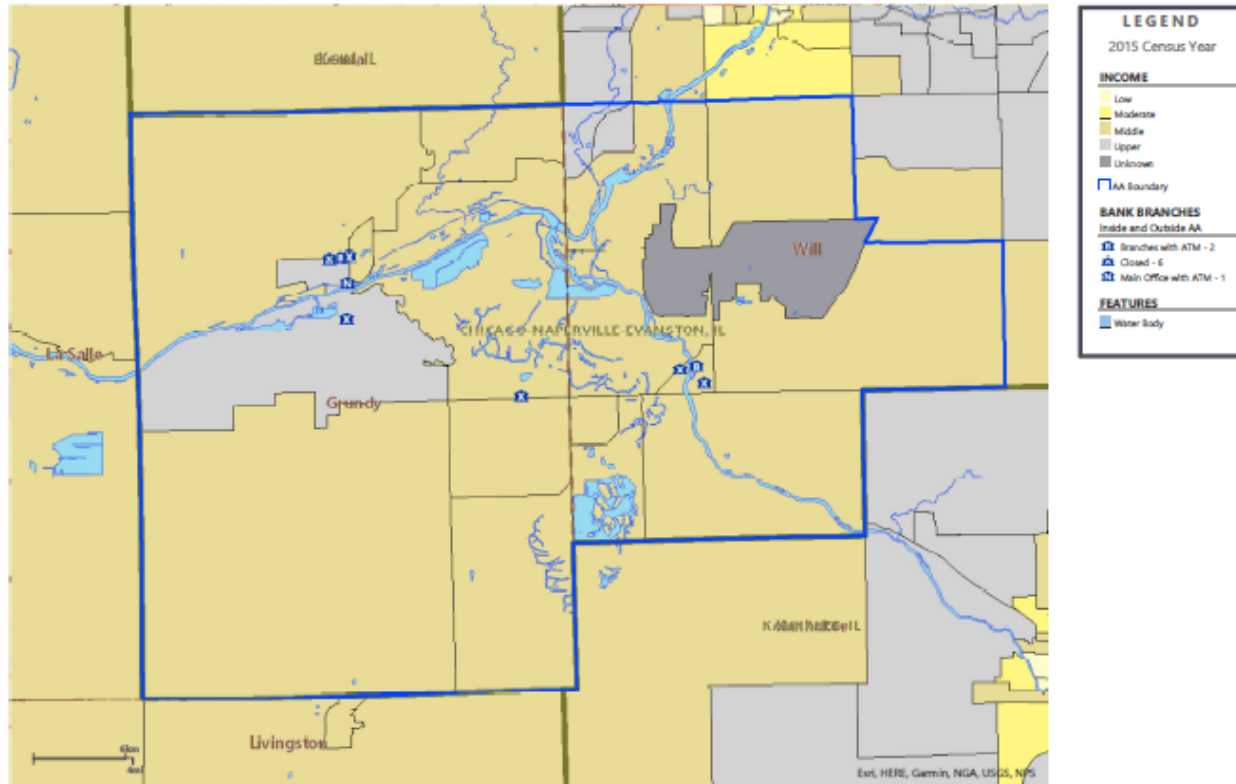
Note: Percentages may not add to 100.0 percent due to rounding

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2019 Chicago-Naperville-Evanston, IL MD 16984								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison					Families by Family Income %	
		2019			Dollar			
		Count Bank	Agg	Dollar Bank	Agg			
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	5	4.6	5.4	548	2.9	3.4	18.0
	Moderate	30	27.8	22.7	4,108	21.7	17.9	16.9
	Middle	32	29.6	27.5	4,641	24.5	27.3	22.6
	Upper	41	38.0	28.7	9,659	51.0	35.8	42.5
	Unknown	0	0.0	15.7	0	0.0	15.5	0.0
	Total		108	100.0	100.0	18,956	100.0	100.0
Refinance	Low	9	8.9	6.1	1,109	7.0	3.8	18.0
	Moderate	22	21.8	16.9	2,612	16.4	13.1	16.9
	Middle	26	25.7	26.3	4,007	25.1	25.1	22.6
	Upper	42	41.6	35.2	8,096	50.8	39.6	42.5
	Unknown	2	2.0	15.6	115	0.7	18.4	0.0
	Total		101	100.0	100.0	15,939	100.0	100.0
Home Improvement	Low	1	12.5	7.0	17	7.4	5.2	18.0
	Moderate	1	12.5	11.3	75	32.8	13.5	16.9
	Middle	2	25.0	31.3	30	13.1	31.5	22.6
	Upper	4	50.0	49.6	107	46.7	49.2	42.5
	Unknown	0	0.0	0.9	0	0.0	0.5	0.0
	Total		8	100.0	100.0	229	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	18.0
	Moderate	0	0.0	5.3	0	0.0	5.1	16.9
	Middle	0	0.0	0.0	0	0.0	0.0	22.6
	Upper	2	25.0	10.5	366	10.6	4.4	42.5
	Unknown	6	75.0	84.2	3,094	89.4	90.5	0.0
	Total		8	100.0	100.0	3,460	100.0	100.0
Other Purpose LOC	Low	0	0.0	7.5	0	0.0	5.8	18.0
	Moderate	0	0.0	19.6	0	0.0	14.6	16.9
	Middle	0	0.0	27.1	0	0.0	23.7	22.6
	Upper	0	0.0	42.1	0	0.0	53.6	42.5
	Unknown	0	0.0	3.7	0	0.0	2.3	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	14.9	0	0.0	15.1	18.0
	Moderate	0	0.0	10.6	0	0.0	10.1	16.9
	Middle	0	0.0	34.0	0	0.0	25.6	22.6
	Upper	0	0.0	36.2	0	0.0	45.3	42.5
	Unknown	0	0.0	4.3	0	0.0	3.9	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	0.0	0	0.0	0.0	18.0
	Moderate	0	0.0	0.0	0	0.0	0.0	16.9
	Middle	0	0.0	0.0	0	0.0	0.0	22.6
	Upper	0	0.0	0.0	0	0.0	0.0	42.5
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	15	6.7	5.8	1,674	4.3	3.6	18.0
	Moderate	53	23.6	19.3	6,795	17.6	15.5	16.9
	Middle	60	26.7	26.6	8,678	22.5	25.7	22.6
	Upper	89	39.6	31.6	18,228	47.2	36.8	42.5
	Unknown	8	3.6	16.7	3,209	8.3	18.4	0.0
	Total		225	100.0	100.0	38,584	100.0	100.0
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2019 Chicago-Naperville-Evanston, IL MD 16984							
Product Type		Bank & Demographic Comparison					
		2019		2019		Total Businesses %	
		Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	120	83.9	14,752	73.2	90.9
		Over \$1 Million	23	16.1	5,415	26.9	7.2
		Unknown	0	0.0	0	0.0	1.9
		Total	143	100.0	20,166	100.0	100.0
	Loan Size	\$100,000 or Less	85	59.4	2,894	14.4	
		\$100,001 - \$250,000	27	18.9	4,594	22.8	
		\$250,001 - \$1 Million	31	21.7	12,678	62.9	
		Total	143	100.0	20,166	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	77	64.2	2,432	16.5	
		\$100,001 - \$250,000	21	17.5	3,631	24.6	
		\$250,001 - \$1 Million	22	18.3	8,689	58.9	
		Total	120	100.0	14,752	100.0	
Originations & Purchases							
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

APPENDIX B – Map of Assessment Area

Grundy Bank 715144
Chicago-Naperville-Evanston, IL MD 16984



APPENDIX C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	HMDA-Reportable Lending: January 1, 2019 to December 31, 2020 Small Business Lending: January 1, 2019 to December 31, 2020		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
Grundy Bank			HMDA-Reportable Loans Small Business Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Illinois Chicago-Naperville-Evanston, IL MD 16984	Full scope review	None	N/A

APPENDIX D – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

¹ Source: FFIEC press release dated October 19, 2011.

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:
 - a. Rates of poverty, unemployment, or population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and

stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

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, which is further classified into “male householder” (a family with a male household and no wife present) or “female householder” (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the

past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an 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 percent and less than 80 percent in the case of a census tract;
- 3) Middle-income – an 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 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey

and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm: This term refers to a loan that is included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).