

PUBLIC DISCLOSURE

November 27, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of New Glarus
Certificate Number: 10378

501 1st Street
New Glarus, Wisconsin 53574

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding 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 Bank of New Glarus's outstanding Community Reinvestment Act (CRA) performance under both the Lending Test and the Community Development Test supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Outstanding.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment area.
- A majority of the home mortgage and small business loans were made within the bank's assessment area.
- The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area.
- The distribution of loans to borrowers reflects excellent penetration of loans among individuals of different income levels and businesses of different sizes.
- The bank 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 Outstanding.

- The institution demonstrated excellent responsiveness to the community development needs of the assessment area 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 area.

DESCRIPTION OF INSTITUTION

The Bank of New Glarus is a full-service community bank owned by a one-bank holding company, Bancorp of New Glarus, Inc. The bank has four affiliates: New Glarus Investment Corporation (Las Vegas, NV); BNG Investment Services, Inc. (New Glarus, WI); and New Glarus Statutory Trust I and New Glarus Capital Trust II (both in Wilmington, DE). The FDIC assigned the bank a "Needs to Improve" rating at its previous CRA Performance Evaluation dated August 8, 2022, based on Interagency Intermediate Small Institution Examination Procedures.

The bank operates the main office and five full-service branches in southcentral Wisconsin. The main office and one branch in the Village of New Glarus are in middle-income census tracts in Green County. The branches in Brodhead, Juda, and Monroe are in moderate-income census tracts in Green County. The Belleville branch is in a middle-income census tract in

Dane County. The bank operates one loan production office in a middle-income census tract in the City of Madison in Dane County. The bank has not opened or closed any branches, and no merger or acquisition activities occurred since the prior evaluation.

The bank offers a variety of loan products including commercial, home mortgage, agricultural, and consumer. The primary lending focus continues to be home mortgage and commercial lending. The bank participates in various government loan programs, such as Small Business Administration (SBA), Farm Service Agency, Federal Home Loan Bank, and Freddie Mac. Furthermore, the bank provides access to additional government home mortgage loan programs through a referral program with LendSmart, including those offered through the United States Department of Agriculture, Veterans Administration, and the Federal Housing Administration.

The bank offers several retail deposit products and services, including one checking account with no minimum balance requirements and no service fees. Other deposit accounts consist of various checking and savings accounts, money market accounts, and certificates of deposit. The bank has two bilingual employees that are available to assist Spanish-speaking customers. In addition, investment and insurance products are available through the bank's onsite brokerage firm.

Alternative banking services include no fee online and mobile banking, electronic bill pay, Zelle person-to-person payment processing, mobile deposit, and an ATM at each office location. The bank is a member of the ATM Access Network, which provides access to over 800 free ATMs in Wisconsin and Minnesota. The bank also offers online loan applications. In addition to these services, the bank provides access to a free online financial education program accessible through the bank's website. The main office has limited hours of 8:00 a.m. to 10:00 a.m. Monday through Friday due to limited customer traffic. The remainder of the day is by appointment only. The lobby and drive-through of each branch are open from 8:30 a.m. to 5:30 p.m. Monday through Friday, with Saturday drive-through hours from 8:30 a.m. to 12:00 p.m.

Based on the September 30, 2023 Call Report, the bank reported total assets of \$467.2 million, total securities of \$99.7 million, total deposits of \$388.7 million, and net loans of \$330.6 million. Since the prior evaluation, total assets increased 15.6 percent, total securities decreased 6.3 percent, total deposits increased 14.2 percent, and net loans increased 27.5 percent. While the bank experienced substantial organic loan growth since the prior evaluation, commercial and residential loans continue to represent the largest concentrations of the bank's lending activity. The following table shows that loans secured by nonfarm nonresidential properties and commercial and industrial loans make up 41.4 percent of total loans, and residential mortgage loans secured by 1-4 family and multifamily residential properties make up 34.8 percent of total loans. This table does not reflect residential mortgage loans sold in the secondary market, which equal 153 loans totaling approximately \$36.1 million from the prior evaluation through September 30, 2023.

Loan Portfolio Distribution as of 9/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	31,385	9.3
Secured by Farmland	21,533	6.4
Secured by 1-4 Family Residential Properties	97,499	29.0
Secured by Multifamily (5 or more) Residential Properties	19,486	5.8
Secured by Nonfarm Nonresidential Properties	78,948	23.5
Total Real Estate Loans	248,851	74.0
Commercial and Industrial Loans	60,089	17.9
Agricultural Production and Other Loans to Farmers	14,780	4.4
Consumer Loans	6,769	2.0
Obligations of State and Political Subdivisions in the U.S.	4,802	1.4
Other Loans	793	0.2
Less: Unearned Income	0	0.0
Total Loans	336,084	100.0
<i>Source: 9/30/23 Reports of Condition and Income; Due to rounding, totals may not equal 100.0%.</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners evaluate its CRA performance. The bank designated one assessment area. The assessment area includes all census tracts in Green and Dane Counties plus portions of Iowa, Rock, and Lafayette Counties. Green, Dane, and Iowa Counties are part of the Madison Metropolitan Statistical Area (MSA), and Rock County comprises the Janesville-Beloit MSA. The Madison and Janesville-Beloit MSAs are part of the Madison Combined Statistical Area (CSA). Lafayette County is a non-MSA county. The partial counties include one census tract in Iowa County (9505), four census tracts in Rock County (27, 28, 29.01, and 29.02), and two census tracts in Lafayette County (9701 and 9705). The assessment area does not substantially exceed the boundaries of the CSA, since only two census tracts from Lafayette County are included. Lafayette County is the only one of the five counties that is not part of the Madison CSA.

The assessment area was expanded from 16 census tracts to 140 census tracts since the prior evaluation. Changes since the prior evaluation include expansion from 4 census tracts to all 125 census tracts in Dane County. Further, the bank added 2 additional census tracts in Rock County, and 1 additional census tract in Lafayette County. No changes to Green and Iowa Counties occurred.

Sources of the data used in this section are as follows: Federal Financial Institutions Examination Council (FFIEC), 2015 American Community Survey (ACS), 2020 U.S. Census, D&B, U.S. Bureau of

Labor Statistics, Wisconsin Realtors Association, and Wisconsin Department of Workforce Development.

Economic and Demographic Data

The 140 census tracts in the assessment area consist of 5 low-income, 23 moderate-income, 69 middle-income, and 36 upper-income census tracts, plus 7 census tracts without an income designation. The low-income census tracts are in Dane County, primarily in downtown Madison. Five moderate-income census tracts are located in southern Green County, and the remaining moderate-income census tracts are in Dane County, primarily in downtown Madison. The bank has three branches in southern Green County in the moderate-income census tracts. The bank’s sole Dane County branch in Belleville is not near any of the low- and moderate-income census tracts in that County. In addition, the two middle-income census tracts in Lafayette County are designated as being rural and underserved. The following table illustrates 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)	140	3.6	16.4	49.3	25.7	5.0
Population by Geography	625,992	3.6	14.6	51.6	26.5	3.7
Housing Units by Geography	264,425	3.3	16.4	52.4	25.2	2.6
Owner-Occupied Units by Geography	154,135	0.8	12.6	57.9	28.5	0.2
Occupied Rental Units by Geography	99,070	6.8	22.1	44.1	20.7	6.2
Vacant Units by Geography	11,220	7.4	17.5	49.7	20.6	4.7
Businesses by Geography	54,992	4.7	14.4	50.7	26.9	3.3
Farms by Geography	2,798	1.1	10.3	68.7	19.5	0.3
Family Distribution by Income Level	143,343	17.4	18.2	23.4	41.0	0.0
Household Distribution by Income Level	0	0.0	0.0	0.0	0.0	0.0
Median Family Income MSA - 27500 Janesville-Beloit, WI MSA		\$72,372	Median Housing Value			\$265,358
Median Family Income MSA - 31540 Madison, WI MSA		\$97,334	Median Gross Rent			\$1,108
Median Family Income Non-MSAs - WI		\$71,740	Families Below Poverty Level			5.0%
<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>						

There are 264,425 housing units in the assessment area, of which 58.3 percent are owner-occupied, 37.5 percent are occupied rental, and 4.2 percent are vacant. Type of housing is 70.7 percent 1-4 family, 28.1 percent multifamily (five or more units), and 1.2 percent mobile homes. This data provides insight into the potential credit needs and opportunities for various types of residential lending.

Examiners rely on the FFIEC-estimated median family income levels to analyze the home mortgage loans under the Borrower Profile criterion. The FFIEC bases its annual estimates on the most recent U.S. Census or ACS data, and factors in inflation and other economic variables to arrive at a median family income that more closely reflects current economic conditions. The following table presents the low-, moderate-, middle-, and upper-income levels for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Janesville-Beloit, WI MSA Median Family Income (27500)				
2022 (\$81,200)	<\$40,600	\$40,600 to <\$64,960	\$64,960 to <\$97,440	≥\$97,440
Madison, WI MSA Median Family Income (31540)				
2022 (\$111,800)	<\$55,900	\$55,900 to <\$89,440	\$89,440 to <\$134,160	≥\$134,160
WI NA Median Family Income (99999)				
2022 (\$81,500)	<\$40,750	\$40,750 to <\$65,200	\$65,200 to <\$97,800	≥\$97,800
<i>Source: FFIEC</i>				

The Wisconsin Realtors Association provides information on the number of home sales and median sales price by county. This information provides insight into the housing market availability and credit needs, as well as the potential affordability of the housing to low- and moderate-income borrowers. As the following table illustrates, the median home prices in 2022 ranged from \$164,900 in Lafayette County to \$385,000 in Dane County.

2022 Housing Sales and Median Prices		
County	Total Sales	Median Home Price YTD (\$)
Green	428	270,000
Dane	7,671	385,000
Iowa	276	252,500
Rock	2,310	228,645
Lafayette	151	164,900
<i>Source: Wisconsin Realtors Association</i>		

Unemployment rates in Green, Dane, Iowa, and Lafayette Counties are below the state level, as shown in the following table. Only Rock County’s unemployment rates exceed the state level.

Unemployment Rates		
Area	2022 (Annual) %	September 2023 %
Green County	2.4	2.6
Dane County	2.2	2.7
Iowa County	2.6	2.7
Rock County	3.4	3.6
Lafayette County	2.4	2.3
Statewide	2.9	3.2
<i>Source: Bureau of Labor Statistics</i>		

According to December 2022 economic information from Moody's Analytics, job growth in the Madison MSA continues to be strong in the digital health and biotechnology industry, as well as state and local government. Enrollments at the University of Wisconsin in Madison have increased, which positively affects the retail trade and the leisure/hospitality sectors. Nearly half of residents over age 25 have at least a bachelor's degree, placing Madison among the 25 metropolitan areas nationally with the highest educational attainment. Healthcare wages and benefits continue to rise to attract new workers to fill the nearly 3,500 vacancies in healthcare in the Madison area, particularly at hospitals and nursing homes.

In the Janesville-Beloit MSA, manufacturing's share of total employment is nearly twice the national average, and is concentrated in food processing and fabricated metal and machinery parts production. Easing of supply shortages is bringing down the cost of raw materials such as metal and aluminum. The logistics industry is booming with recent growth largely driven by the pandemic-induced rise in e-commerce sales and the impact on demand for shipments of goods by truck. The completion of a multiyear project to expand lanes on the I-90/39 corridor was well-timed to increase capacity for logistics growth and the attractiveness for new investment. New large-scale industrial and warehousing facilities are nearing completion, while almost all existing industrial facilities are occupied and demand for new space is strong.

Strengths of the Madison MSA include the presence of the University of Wisconsin in Madison and the well-educated workforce, the large and growing cluster of technology-based companies, and high per capita income and quality of life. Weaknesses of the Madison MSA include high inflation and exposure to fading manufacturers. In the Janesville-Beloit MSA, strengths include low living costs and affordable housing, well-paying healthcare jobs, proximity to several large metropolitan areas, large commuter workforce, and positive net migration. Weaknesses include the fact that per capita income is below the national average, lower proportion of prime age workers, and many jobs with flat hourly pay and a declining workweek.

The economic drivers of the Madison MSA include the fact that Madison is the state capital, a financial center, and strong in high technology. Top employers with over 5,000 employees include the University of Wisconsin in Madison and Epic Systems Corporation (healthcare software company). Global demand for electronic health products, such as the electronic medical records management software produced by Epic Systems Corporation, continues to soar as hospitals upgrade and further automate their systems. The largest employment sectors are government (21.5 percent), professional and business services (13.1 percent), education and health services (12.7 percent), retail trade (9.7 percent), and manufacturing (9.4 percent).

In the Janesville-Beloit MSA, the economic drivers include healthcare and logistics. Top employers include Mercyhealth, Beloit Health System, Grainger Inc., and Hendricks Holding Company. The largest employment sectors are manufacturing (15.7 percent), education and health services (15.5 percent), government (12.3 percent), and retail trade (11.3 percent).

Competition

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 49 FDIC-insured financial institutions

operated 210 full-service branches within the assessment area. The bank ranked 20th with a 1.3 percent deposit market share. The top two financial institutions are BMO Harris Bank N.A. and Associated Bank N.A. with 14.3 percent and 10.0 percent deposit market share, respectively.

There is a high level of competition in the assessment area for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2022, 411 lenders originated or purchased 22,733 HMDA-reportable loans in the assessment area. The bank ranked 14th with a 1.2 percent market share by number of loans. UW Credit Union and Summit Credit Union are the top lenders with 24.8 percent and 23.7 percent market share by number of loans, respectively.

The bank is not required to collect or report small business data, and has not optionally reported this data. Therefore, the analysis of small business loans does not include direct comparisons against aggregate data. However, the aggregate data is an indicator of the level of demand for lending. Aggregate data for 2021 shows 125 lenders reported 13,611 small business loans in the assessment area, indicating a moderate level of competition for this loan product. The top three lenders are JPMorgan Chase Bank N.A., U.S. Bank N.A., and American Express N.A. with 14.5 percent, 14.5 percent, and 13.5 percent market share, respectively. Smaller institutions are not required to report lending data; therefore, competition for the small business loans is greater than the aggregate data reflects. Aggregate data for small business loans for 2022 is not yet available.

Community Contacts

As part of the evaluation process, examiners obtain information from third parties active in the assessment area to assist in identifying the credit and community development needs and opportunities. This information helps determine whether local financial institutions are responsive to those needs. Examiners utilized information from previously conducted interviews with community contacts serving the assessment area. Specifically, examiners used information from one economic development organization that serves Dane, Green, and Rock Counties, as well as some adjacent counties.

The contact indicated the pandemic caused a larger population of low- and moderate-income individuals in the communities. Many companies laid off employees, particularly in the food and beverage and hospitality sectors. Since returning to pre-pandemic economic status, many companies that had laid off workers are now struggling to find employees to rehire. The contact stated that several displaced employees gained additional training, and obtained employment in other industries, such as the logistics industry.

The contact stated that some of the issues that continue to be problematic in these Counties are affordable housing, affordable childcare, and infrastructure, such as broadband and fiber optics in the rural areas. The contact stated that not only was housing a struggle for low- and moderate-income individuals, but for workforce housing, indicating impacts to entry-level nurses and teachers. Childcare, particularly for late-shift employees, is difficult to find in these areas, and when it is available, it is often very expensive. With so many businesses continuing to allow employees work-from-home options, there is a need to expand telecommunication options in the rural areas to improve connectivity access. Expanded telecommunication options is also needed for virtual education. The contact further stated that there are several opportunities in the assessment

area for banks to become involved in new business start-ups, as well as providing gap funding alongside area CRA funding projects. According to the contact, most financial institutions serving the areas are responsive to the needs of the community. However, many lack creativity to meet additional needs.

Examiners also used information from a recent community contact with an economic development organization that serves Rock County. The contact noted that a local opportunity for lending includes financing projects in the area's Tax Increment Financing (TIF) districts. Certain regions of the County, such as the City of Janesville, have multiple TIF districts open with an emphasis on attracting investors to build affordable housing. Janesville also stacks multiple sources of capital into grants, which encourages further investor participation in the area. Other smaller areas within the County may only be able to afford to have one TIF district open at a time. As such, these TIF districts usually target attraction of small businesses. However, as interest rates continue to rise, there is a need for affordable credit, specifically in smaller communities. Similarly, making use of flexible lending programs would allow prospective borrowers to improve creditworthiness and ultimately allow banks to extend more credit to small businesses and consumers. The contact indicated that financial institutions have been responsive to the credit needs in the area as a whole.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and from bank management, as well as demographic and economic data, examiners determined that there are ongoing credit and community development needs for affordable housing, small business start-up and expansion business financing programs, and infrastructure (specifically broadband and telecommunications). The median housing values and rental costs for the area support the need for more affordable housing. Additionally, the large number of businesses with four or fewer employees and businesses operating from a single location support the need for small business lending. The increased level of employees working from home and students utilizing virtual education support the need for expansion of telecommunication and broadband options.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 8, 2022, to the current evaluation dated November 27, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test. The Appendix details the performance criteria for these tests, while the Glossary provides for pertinent definitions. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Examiners relied on ACS estimates that are updated every five years when considering census demographics throughout this evaluation. Examiners evaluated bank performance relative to the 2015-2020 ACS and 2020 U.S. Census boundary data. In addition, examiners relied on records provided by the bank, D&B business demographic data, and Home Mortgage Disclosure Act

(HMDA) aggregate data. The bank's CRA performance was analyzed in relation to the bank's performance context, which includes (but is not limited to) bank size and structure, financial condition, loan mix, resources, limitations, assessment area demographics, economic factors, competition, loan demand, and available opportunities. Examiners used information obtained from community contact interviews to help establish the performance context for this CRA evaluation. The community contact interviewees are representatives in the assessment area and are not affiliated with the bank.

Activities Reviewed

The bank's CRA performance evaluation is based on a review of home mortgage and small business loans. Based on Call Report data and loan originations during the review period, these categories represent the most significant levels of lending at the bank. Small farm lending and consumer lending represent an insignificant portion of the bank's overall business focus; therefore, these products were not separately reviewed as the analysis would not lead to meaningful conclusions about the bank's performance during the review period. Bank records and discussions with management indicate that the lending focus and loan products remained consistent throughout the evaluation period. Examiners gave greater weight to home mortgage loans in the overall conclusions due to the greater number and dollar volume of originations and management's stated lending focus.

Examiners reviewed the full universe of home mortgage loan originations and purchases recorded on the bank's 2022 HMDA loan application register. The bank reported 354 home mortgage loans totaling \$90.1 million. In addition, examiners reviewed the full universe of small business loans originated January 1, 2022, through December 31, 2022. The bank originated 287 small business loans totaling \$36.5 million. Demographic and aggregate data provided a measure of comparison for home mortgage loans. Examiners used D&B data as a measure of comparison for small business loans.

Examiners reviewed both the number and dollar volume of loans. Examiners emphasized performance by number of loans, because the number of loans is a better indicator of the individuals and businesses served.

When determining the Lending Test rating, more weight was given to geographic distribution and borrower profile than the loan-to-deposit ratio and the assessment area concentration. Geographic distribution and borrower profile directly identify how well the bank serves the traditionally underserved segments of the population (including low- and moderate-income families and geographies and small businesses).

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated August 8, 2022. Examiners also included outstanding qualified investments acquired prior to August 8, 2022, at current book value. In addition to the quantitative consideration given to the volume of activities, examiners gave qualitative consideration to the impact that these activities have on the community and how the activities meet the needs in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

An “Outstanding” rating is assigned under the Lending Test. The excellent geographic distribution and borrower profile performance support this conclusion.

Loan-to-Deposit Ratio

The bank’s loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area needs. The ratio, calculated from Call Report data, averaged 82.6 percent over the past four calendar quarters from September 30, 2022 to June 30, 2023. Notably, loans originated through the secondary market are not included in the bank’s loan-to-deposit ratio. The bank originated 153 secondary market loans totaling approximately \$36.1 million from the prior evaluation date through September 30, 2023.

The bank maintained a ratio comparable to those of similarly-situated institutions as shown in the following table. Examiners selected these similarly-situated institutions based on their asset size, banking structure, geographic location, and lending focus. This comparison supports the conclusion that the bank’s loan-to-deposit ratio is reasonable.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2023 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
The Bank of New Glarus	458,643	82.6
Peoples Community Bank, Mazomanie, WI	359,698	64.2
Farmers Savings Bank, Mineral Point, WI	406,429	55.9
Farmers and Merchants Union Bank, Columbus, WI	451,665	93.1
Woodford State Bank, Monroe, WI	412,304	89.9
Bank of Brodhead, Brodhead, WI	287,871	84.1

Source: Reports of Condition and Income 9/30/2022 - 9/30/2023

Assessment Area Concentration

The bank originated a majority of home mortgage and small business loans in the assessment area in 2022, as reflected in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	276	78.0	78	22.0	354	71,507	79.4	18,590	20.6	90,097
Small Business	263	91.6	24	8.4	287	29,715	81.3	6,823	18.7	36,538
Total	539	84.1	102	15.9	641	101,222	79.9	25,413	20.1	126,635

Source: Bank Data

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's excellent dispersion of home mortgage and small business loans support this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As reflected in the following table, the bank's performance is slightly below demographic and aggregate data in the low-income census tracts, but still comparable to the lower level of overall demand in those tracts. The bank's performance is three times demographic and aggregate data in the moderate-income census tracts. Three of the six banking offices are located in moderate-income census tracts, which aided the bank in achieving this excellent performance.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.8	0.7	1	0.4	1,900	2.7
Moderate	12.6	11.2	102	37.0	18,356	25.7
Middle	58.0	57.9	152	55.1	42,948	60.1
Upper	28.5	30.0	21	7.6	8,303	11.6
Not Available	0.2	0.3	0	0.0	0	0.0
Total	100.0	100.0	276	100.0	71,507	100.0

Source: 2020 U.S. Census, Bank Data, 2022 HMDA Aggregate Data, "--" data not available.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. As reflected in the following table, the bank's performance is below demographic data in the low-income census tracts and is four times demographic data in the moderate-income census tracts. Three of the six banking offices are located in moderate-income census tracts, which aided the bank in achieving this excellent performance.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	4.7	1	0.4	660	2.2
Moderate	14.4	150	57.0	12,327	41.5
Middle	50.7	107	40.7	15,741	53.0
Upper	26.9	5	1.9	987	3.3
Not Available	3.3	0	0.0	0	0.0
Total	100.0	263	100.0	29,715	100.0
<i>Source: 2022 D&B Data, Bank Data; "--" data not available.</i>					

Borrower Profile

The distribution of loans to borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes. The bank's excellent penetration of home mortgage loans and reasonable penetration of small business loans support this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. As demonstrated in the following table, the bank's percentage of loans originated to low-income borrowers is consistent with the percentage of low-income families. Notably, a low-income family in the assessment area would have a maximum income of \$40,600 to \$55,900 in 2022, depending upon the county. Considering median housing sales prices of \$164,900 to \$385,000, depending upon the county, a low-income family would face difficulty in qualifying for a mortgage under conventional underwriting standards. Further, the 2020 U.S. Census data shows a poverty level of 5.0 percent in the assessment area. Families in poverty are generally focused on meeting their basic needs and not typically able to support a traditional home mortgage loan. Furthermore, the lack of affordable housing stock in the assessment area increases these challenges to low-income borrowers. Therefore, the demand and opportunity for lending to low-income families are relatively limited, and aggregate comparisons are a more reliable data source for determining the bank's performance to low-income borrowers. Despite the limitations that low-income borrowers face, the bank's record of lending to low-income borrowers is nearly twice the aggregate data percentage, reflecting excellent performance.

For home mortgage loans to moderate-income borrowers, the bank's performance exceeds both aggregate and demographic data. Particularly strong performance to low-income borrowers and slightly higher performance in the moderate-income borrower category supports overall excellent performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	17.4	8.7	47	17.0	6,785	9.5
Moderate	18.2	20.4	63	22.8	10,649	14.9
Middle	23.4	26.0	68	24.6	16,468	23.0
Upper	41.0	37.1	78	28.3	26,523	37.1
Not Available	0.0	7.9	20	7.3	11,083	15.5
Total	100.0	100.0	276	100.0	71,508	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available.</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with revenues of \$1 million or less. As shown in the following table, the bank’s performance trails the percentage of businesses with revenues of \$1 million or less; however, examiners also considered the performance of similarly-situated banks, as well as aggregate data, to determine that performance is reasonable.

Demographic data represents the percentage of businesses of different revenue sizes operating within the assessment area and does not necessarily represent those businesses that are seeking or may even qualify for bank financing. Smaller business owners tend to finance their business needs through credit cards, personal home equity lines of credit, and or even consumer loans originated in their own name, and are not captured in this analysis. Therefore the demand for traditional small business loans may trail the general demographic.

Examiners compared the bank’s performance with similarly-situated banks that have designated an MSA portion of Wisconsin as one of their assessment areas. This comparison was conducted to assist in establishing a standard of demand for small business loans. Two banks were selected for comparison with lending to small businesses in 2022. These banks made 50.0 percent and 59.6 percent of their small business loans to businesses with \$1 million or less in revenues and were regarded as having reasonable performance. The bank’s performance exceeds these similarly-situated bank’s performance.

Aggregate data is not a direct comparator and is not shown in the following table, as the bank does not report CRA small business loan data, and the bank’s small business loans are not included in the aggregate data. However, examiners did consider the record of aggregate lending in conjunction with similarly-situated bank performance to determine the level of demand for such loans. Aggregate data shows that reported loans to small businesses equaled 51.0 percent in 2021; aggregate data for 2022 is not yet available. The bank’s performance exceeds aggregate data. Considering demographic and aggregate data, as well as the similarly-situated bank analysis, examiners determined that the bank’s performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	85.9	171	65.0	22,082	74.3
>\$1,000,000	4.6	92	35.0	7,633	25.7
Revenue Not Available	9.5	0	0.0	0	0.0
Total	100.0	263	100.0	29,715	100.0

Source: 2022 D&B Data; Bank Data; "--" data not available.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

An “Outstanding” rating is assigned under the Community Development Test. The bank demonstrated excellent responsiveness to the 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.

This rating is supported by the comparison with ten similarly-situated banks. It is noted that the bank’s current evaluation period is shorter than a typical review period. Therefore, to account for the varying lengths of the evaluation periods, examiners annualized the community development performance for each institution to improve comparisons and arrive at more relevant conclusions. Based on this analysis, the bank’s performance in all three categories is on the higher end or exceeds several of the similarly-situated banks. These comparisons are detailed within the following sections.

Community Development Loans

The bank originated or renewed 24 community development loans totaling \$26.4 million in the assessment area since the prior evaluation as reflected in the following table. This level of activity represents 6.0 percent of average total assets and 8.9 percent of average net loans in the five quarters since the prior evaluation. This level of lending is twice the \$13.1 million at the previous evaluation, which equated to 3.5 percent of average assets and 5.2 percent of average net loans in the 12 quarters in the prior evaluation period.

Community Development Loans										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2022*	5	12,908	1	500	5	1,700	0	0	11	15,108
2023**	1	450	6	1,595	5	2,156	1	7,103	13	11,304
Total	6	13,358	7	2,095	10	3,856	1	7,103	24	26,412

*Source: Bank Data; *August 8 to December 31; **January 1 to November 27*

Notable examples of the bank’s community development loans are as follows:

- The bank financed the acquisition of a 126-unit apartment complex for \$7.0 million in 2022. An income restriction agreement is in place with the City of Middleton for the next 30 years to ensure that low- and moderate-income individuals benefit from this affordable housing project. This project is very impactful, as affordable housing is in high demand in this area.
- The bank provided \$7.1 million in financing in 2023 for a construction project to revitalize the TIF district known as the City of Monona’s Redevelopment Area 9. An apartment complex will be constructed on the border between a moderate-income census tract and a middle-income census tract. The construction site is in the middle-income census tract, which was moderate-income in 2021.
- The bank renewed an operating line of credit in 2022 and 2023 with a school district that has over 50 percent of students on free and reduced lunches.
- The bank financed a new facility in 2023 that will enable the food pantry to better serve low- and moderate-income individuals.

It is noted that the SBA Paycheck Protection Program (PPP) was offered in 2020 and 2021 as a result of the pandemic and related lockdowns, which is outside the scope of this evaluation period. However, several similarly-situated banks’ public evaluations cover this time frame and their performance may include a substantial volume of PPP lending. Therefore, examiners compared the bank’s performance to these similarly-situated banks with and without community development loans made through the SBA PPP. The following two tables show how the bank compares quantitatively with ten similarly-situated banks in Wisconsin based on annualized data. As a percentage of total assets, the similarly-situated banks ranged from 0.2 percent to 6.4 percent excluding the SBA PPP loans and from 1.3 percent to 8.2 percent including the SBA PPP loans. As a percentage of total net loans, the similarly-situated banks ranged from 0.3 percent to 8.7 percent excluding the SBA PPP loans and from 1.9 percent to 11.1 percent including the SBA PPP loans. Excluding the SBA PPP loans, the bank’s performance exceeds the percentages based on total assets for eight of the ten similarly-situated banks and exceeds the percentages based on net loans for nine of the ten similarly-situated banks. Including the SBA PPP loans for the comparable institutions, the bank’s percentages match or exceed both the percentages based on total assets and based on net loans for five of the ten similarly-situated banks.

Community Development Loans excluding SBA PPP Loans – Similarly-Situated Bank Analysis						
Bank Name (# months in evaluation period)	Public Evaluation Date	Total Assets and Net Loans	Community Development Loans (annualized)		% of Total Assets	% of Net Loans
		\$(000)s	#	\$(000)s	%	%
The Bank of New Glarus (16 months)	11/27/23	467,169 330,573	18	19,809	4.2	6.0
Bank of Wisconsin Dells (37 months)	8/28/23	943,038 689,084	37	22,128	2.3	3.2
Horicon Bank (37 months)	4/10/23	1,251,474 923,698	30	80,319	6.4	8.7
Citizens Bank (36 months)	5/16/22	1,009,117 634,469	16	26,035	2.6	4.1
Waukesha State Bank (34 months)	8/30/21	1,337,773 807,975	134	29,778	2.2	3.7
Mound City Bank (36 months)	5/15/23	462,078 354,932	51	10,998	2.4	3.1
Capitol Bank (37 months)	1/18/22	470,618 327,867	7	6,287	1.3	1.9
The Bank of Sun Prairie (35 months)	10/4/21	539,862 413,140	16	24,617	4.6	6.0
Farmers and Merchants Union Bank (34 months)	3/8/21	429,933 305,602	15	6,649	1.5	2.2
The Greenwoods State Bank (68 months)	1/9/23	548,648 452,381	5	6,740	1.2	1.5
Bank of Prairie du Sac (36 months)	7/25/22	569,838 330,415	5	1,000	0.2	0.3

Source: Bank Records, CRA Public Evaluations

Community Development Loans including SBA PPP Loans – Similarly-Situated Bank Analysis						
Bank Name (# months in evaluation period)	Public Evaluation Date	Total Assets and Net Loans	Community Development Loans (annualized)		% of Total Assets	% of Net Loans
		\$(000)s	#	\$(000)s	%	%
The Bank of New Glarus (16 months)	11/27/23	467,169 330,573	18	19,809	4.2	6.0
Bank of Wisconsin Dells (37 months)	8/28/23	943,038 689,084	105	32,522	3.4	4.7
Horicon Bank (37 months)	4/10/23	1,251,474 923,698	138	102,215	8.2	11.1
Citizens Bank (36 months)	5/16/22	1,009,117 634,469	16	26,035	2.6	4.1
Waukesha State Bank (34 months)	8/30/21	1,337,773 807,975	612	47,323	3.5	5.9
Mound City Bank (36 months)	5/15/23	462,078 354,932	51	10,998	2.4	3.1
Capitol Bank (37 months)	1/18/22	470,618 327,867	7	6,287	1.3	1.9
The Bank of Sun Prairie (35 months)	10/4/21	539,862 413,140	202	28,710	5.3	6.9
Farmers and Merchants Union Bank (34 months)	3/8/21	429,933 305,602	148	14,414	3.4	4.7
The Greenwoods State Bank (68 months)	1/9/23	548,648 452,381	133	14,365	2.6	3.2
Bank of Prairie du Sac (36 months)	7/25/22	569,838 330,415	145	14,629	2.6	4.4

Source: Bank Records, CRA Public Evaluations

Qualified Investments

The bank made 34 qualified investments totaling \$3.4 million, which includes 5 qualified investments totaling \$1.4 million in the broader statewide or regional area. Examiners considered qualified investments in the broader statewide or regional area because the bank has been responsive to the community development needs and opportunities in the assessment area. The total level of activity represents 0.9 percent of average total assets, 11.4 percent of average equity capital, and 3.8 percent of average securities in the five quarters since the prior evaluation. This level of qualified investments is more than eight times greater than the \$402,000 at the previous evaluation, which equaled 0.1 percent of average assets, 1.0 percent of average equity capital, and 0.5 percent of average securities in the 12 quarters during the prior evaluation period.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	2	610	0	0	0	0	2	610
2022*	1	957	0	0	0	0	0	0	1	957
2023**	4	2,285	0	0	0	0	0	0	4	2,285
Subtotal	5	3,242	2	610	0	0	0	0	7	3,852
Qualified Grants & Donations	1	1	21	28	5	18	0	0	27	47
Total	6	3,243	23	638	5	18	0	0	34	3,899

*Source: Bank Data; *August 8 to December 31; **January 1 to November 27*

Notable examples of the bank’s qualified investments are as follows:

- The bank purchased three bonds totaling \$1.1 million from the Wisconsin Housing and Economic Development Authority in 2023. The purpose of these bonds is to provide home mortgage financing to low- and moderate-income individuals in Wisconsin.
- The bank purchased two mortgage-backed securities totaling \$2.1 million that are secured by home mortgage loans to low- and moderate-income borrowers in the assessment area.
- The prior period investments consist of two school bonds where a majority of the students are on free and reduced lunches. One school is located in the assessment area, and the other school is outside the assessment area in Wisconsin.

Examiners conducted a quantitative comparison of the bank’s performance to ten similarly-situated banks in Wisconsin. To account for the varying lengths of the evaluation periods, examiners annualized the qualified investment performance to allow for a more meaningful comparison. Annualized figures are presented in the table below. As a percentage of total assets, the similarly-situated banks ranged from 0.0 percent to 0.6 percent. As a percentage of total equity capital, the similarly-situated banks ranged from 0.1 percent to 5.5 percent. As a percentage of total securities, the similarly-situated banks ranged from 0.1 percent to 3.8 percent. The bank’s performance matches or exceeds all ten similarly-situated banks based on total assets and total equity capital, and exceeds eight of the ten similarly-situated banks based on total securities.

Qualified Investments – Similarly-Situated Bank Analysis						
Bank Name (# months in evaluation period)	Public Evaluation Date	Qualified Investments (annualized)		% of Total Assets	% of Equity Capital	% of Securities
		#	\$(000)s	%	%	%
The Bank of New Glarus (16 months)	11/27/23	26	2,924	0.6	8.7	2.9
Bank of Wisconsin Dells (37 months)	8/28/23	16	4,603	0.5	5.5	2.5
Horicon Bank (37 months)	4/10/23	36	175	0.0	0.2	0.1
Citizens Bank (36 months)	5/16/22	43	3,544	0.4	3.2	1.5
Waukesha State Bank (34 months)	8/30/21	32	596	0.0	0.4	0.2
Mound City Bank (36 months)	5/15/23	11	2,562	0.6	5.0	3.8
Capitol Bank (37 months)	1/18/22	29	1,174	0.2	2.1	1.4
The Bank of Sun Prairie (35 months)	10/4/21	24	418	0.1	0.7	1.0
Farmers and Merchants Union Bank (34 months)	3/8/21	22	1,359	0.3	2.7	3.4
The Greenwoods State Bank (68 months)	1/9/23	4	43	0.0	0.1	0.1
Bank of Prairie du Sac (36 months)	7/25/22	17	974	0.2	1.5	0.5
<i>Source: Bank Records, CRA Public Evaluations</i>						

Community Development Services

Bank representatives (bank officers, employees, and board members) provided 50 community development services to various community development-related organizations. This is an increase from the 30 community development services noted at the prior evaluation, despite a much shorter examination period. In addition to the services listed in the table, the bank operates three full-service branches in moderate-income census tracts. These branches are located in Brodhead, Juda, and Monroe in Green County.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2022*	1	6	8	0	15
2023**	15	11	9	0	35
Total	16	17	17	0	50

*Source: Bank Data; *August 8 to December 31; **January 1 to November 27*

Notable examples of community development services offered during the review period include:

- One Board member (former employee) and the President are on the loan committee for the Green County Revolving Loan Fund. In addition, loan servicing services are provided for loans made through this Loan Fund.
- One bank employee serves on the finance committee of Brodhead, a city located in a moderate-income census tract.
- One bank employee is on the public relations and marketing committee for the Habitat for Humanity of Green County. This organization increases affordable housing by building homes for low- and moderate-income families and working to eliminate substandard housing.

The following table shows how the bank compares quantitatively with ten similarly-situated banks in Wisconsin that were assessed under Interagency Intermediate Small Institution Examination Procedures. To account for the varying lengths of the evaluation periods, examiners annualized the community development service performance to accurately compare the bank’s performance to both the prior performance and the similarly-situated banks’ performances. The similarly-situated banks provided from 6 to 52 community development services. The bank’s performance exceeds the performance of nine of the ten similarly-situated banks.

Community Development Services – Similarly-Situated Bank Analysis				
Bank Name (# months in evaluation period)	Public Evaluation Date	Total Assets	Community Development Services	Community Development Services (annualized)
		\$(000)s	#	#
The Bank of New Glarus (16 months)	11/27/23	467,169	50	38
Bank of Wisconsin Dells (37 months)	8/28/23	943,038	86	28
Horicon Bank (37 months)	4/10/23	1,251,474	160	52
Citizens Bank (36 months)	5/16/22	1,009,117	80	27
Waukesha State Bank (34 months)	8/30/21	1,337,773	103	36
Mound City Bank (36 months)	5/15/23	462,078	32	11
Capitol Bank (37 months)	1/18/22	470,618	61	20
The Bank of Sun Prairie (35 months)	10/4/21	539,862	69	24
Farmers and Merchants Union Bank (34 months)	3/8/21	429,933	64	23
The Greenwoods State Bank (68 months)	1/9/23	548,648	33	6
Bank of Prairie du Sac (36 months)	7/25/22	569,838	42	14
<i>Source: Bank Records, CRA Public Evaluations</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.

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.