PUBLIC DISCLOSURE

October 21, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

American Community Bank of Indiana
Certificate Number: 29878

7880 Wicker Ave
Saint John, Indiana 46373

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas (AAs), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities. The following points summarize the bank's performance under the Lending Test.

- The loan-to-deposit (LTD) ratio is excellent given the institution's size, financial condition, and AA credit needs.
- A majority of the bank's home mortgage and small business loans are inside the AA.
- The geographic distribution of loans reflects reasonable dispersion through the bank's AA.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes overall.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the lending test.

DESCRIPTION OF INSTITUTION

American Community Bank of Indiana (ACB) is a full-service bank headquartered in St. John, Indiana, and operates in northwest Indiana. ACB is wholly owned by AMB Financial Corporation, a one-bank holding company which is also headquartered in St. John, Indiana. ACB has no affiliates that offer credit products. The bank engaged in no mergers or acquisitions since the last examination. The bank received a Needs to Improve rating at its previous FDIC CRA Performance Evaluation, dated June 10, 2022, based on Interagency Small Institution CRA Examination Procedures.

ACB operates five full-service offices in its AA. All of its offices are located in Lake County, Indiana, which borders Cook County, Illinois to the west and Lake Michigan to the north. Lake County is part of the Lake County-Porter County-Jasper County, Indiana Metropolitan Division (MD) (#29414), which is part of the Chicago-Naperville-Elgin, Illinois-Indiana-Wisconsin Metropolitan Statistical Area (#16980). The MD was previously known as the Gary, IN MD, but was updated by the Office of Management and Budget in 2023. The bank's main office is in St. John and the branches are located in Dyer, Hammond, Munster, and Crown Point. No offices have been opened or closed since the prior evaluation.

The bank's loan products include commercial, home mortgage, and consumer loans. The bank primarily focuses on commercial and home mortgage lending. Mortgages are sold on the secondary market, primarily to the Federal Home Loan Bank of Indianapolis (FHLBI).

Since the last evaluation, management implemented new programs to improve its lending performance. One, known as the "Our Community" loan, offers home mortgage and home improvement loans targeted exclusively to LMI individuals or applicants residing in LMI geographies within the bank's AA. This program offers 100.0 percent financing with no private mortgage insurance requirements, low minimum credit scores, and flexible underwriting standards. The bank began marketing this program in 2022 in LMI geographies. ACB originated 6 loans totaling $803,000 in 2022 and 18 loans totaling approximately $1.9 million in 2023. During that time frame, loan staff conducted outreach in a low-income area near one of the branch locations.

ACB also provides assistance to homeowners through FHLBI grants and downpayment assistance programs. In 2023, the bank originated 17 grants totaling $153,810 under these programs. ACB also participates in a program that provides up to $25,000 in downpayment assistance to minority borrowers earning below 120.0 percent of the county's median household income. However, the funds for that program were exhausted before the bank could identify any qualified borrowers. Furthermore, ACB also participates in both the City of Hammond Homebound Home Ownership Program and the City of East Chicago Ownership Program that offer downpayment assistance to those purchasing homes in those cities. However, during the evaluation period, no loans were originated. ACB also partnered with Rocket Mortgage to offer FHA and VA loans. Since the last examination, the bank acted as a correspondent for 3 FHA loans totaling $1.6 million and 2 VA loans totaling $542,000.

With regard to commercial lending, ACB originated 3 Small Business Administration (SBA) 7a loans totaling $947,000 and 10 SBA 504 loans totaling $6.9 million since the last examination.

The bank also offers a variety of deposit services including checking, savings, and money market deposit accounts, and certificates of deposit. Alternative banking services include online, mobile, and electronic banking, and automated teller machines (ATMs). Each office has an ATM. The bank also has an ATM located at the Hammond South Shore train station.

According to the Consolidated Report of Conditions (Call Report) data as of September 30, 2024, the bank had total assets of $362.1 million, total loans of $287.6 million, total deposits of $328.3 million, and total equity capital $31.6 million. The bank's net LTD ratio was 86.6 percent, and the net loans-to-total assets ratio was 78.5 percent. The following table details the loan portfolio.

Loan Portfolio Distribution as of 9/30/2024		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	27,339	9.5
Secured by Farmland	1,080	0.4
Secured by 1-4 Family Residential Properties	91,604	31.9
Secured by Multifamily (5 or more) Residential Properties	4,064	1.4
Secured by Nonfarm Nonresidential Properties	122,564	42.6
Total Real Estate Loans	**246,651**	**85.8**
Commercial and Industrial Loans	39,663	13.8
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,260	0.4
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	30	< 0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	**287,604**	**100.0**
Source: Reports of Condition and Income		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. ACB designated a single AA comprised of Lake County, Indiana. The AA conforms to the CRA regulations. It contains whole census tracts and the bank's offices, and does not arbitrarily exclude any LMI areas. The AA is geographically unchanged from the previous evaluation.

Economic and Demographic Data

Based on 2020 U.S. Census data, the AA contains 132 census tracts with the following income level designations:

- 24 low-income census tracts,
- 34 moderate-income census tracts,
- 43 middle-income census tracts,
- 27 upper-income census tracts, and
- 4 census tracts with no income designation.

The following table shows certain demographic characteristics of the AA.

Demographic Information of the Assessment Area Assessment Area: Lake County, IN						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	132	18.2	25.8	32.6	20.5	3.0
Population by Geography	498,700	10.0	22.5	38.7	27.6	1.2
Housing Units by Geography	213,679	13.8	24.4	37.4	22.7	1.7
Owner-Occupied Units by Geography	132,172	6.7	19.0	42.0	30.5	1.8
Occupied Rental Units by Geography	56,474	24.7	30.2	33.0	10.6	1.5
Vacant Units by Geography	25,033	26.6	39.8	23.1	8.5	2.1
Businesses by Geography	61,345	10.5	20.3	39.1	29.3	0.9
Farms by Geography	1,084	6.7	17.3	36.3	38.4	1.4
Family Distribution by Income Level	123,664	24.5	17.5	19.7	38.4	0.0
Household Distribution by Income Level	188,646	26.6	16.6	17.8	39.1	0.0
Median Family Income MSA - 23844 Gary, IN		$75,625	Median Housing Value			$145,614
			Median Gross Rent			$870
			Families Below Poverty Level			12.1%
Source: 2020 U.S. Census and 2023 D&B Data *Due to rounding, totals may not equal 100.0%* *(*) The NA category consists of geographies that have not been assigned an income classification.*						

Examiners used the 2022 and 2023 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the income levels and categories.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Gary, IN Median Family Income (23844)				
2022 ($85,100)	<$42,550	$42,550 to <$68,080	$68,080 to <$102,120	≥$102,120
2023 ($91,900)	<$45,950	$45,950 to <$73,520	$73,520 to <$110,280	≥$110,280
Source: FFIEC				

The AA's economy is driven by small businesses. According to 2023 D&B data, approximately 61,345 businesses are located within the AA, of which 60.7 percent employ four or fewer individuals, and 93.7 percent operate from one location. The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business loans by the borrower's gross annual revenue (GARs) to the overall distribution of businesses in the AA. The distribution of businesses by GARs in the AA is as follows:

- 91.3 percent have revenues of $1.0 million or less,
- 2.4 percent have revenues over $1.0 million, and
- 6.3 percent have unknown revenues.

According to Moody's Analytics, Lake County's economic output and activity has tracked the statewide economy. As of September 2024, the unemployment rate in Lake County is 6.1 percent. This rate is higher than the statewide unemployment rate of 4.3 percent and the nationwide unemployment rate of 4.1 percent. The numbers show the uncertainty in the local economy that inflation created. All unemployment rates are from the Bureau of Labor Statistics.

The primary employment sectors in AA are education and health services, manufacturing, and retail. The largest employers in the AA include Cleveland Cliffs, Franciscan Health, Strack & Van, NIPSCO, Community Health, and Methodist Health.

Competition

The AA has a very competitive financial services market. According to FDIC Deposit Market Share data as of June 30, 2024, 16 financial institutions operate 128 full-service offices within the AA. ACB ranked ninth in market share in the AA, holding 2.4 percent of the AA's deposits. There is particularly high competition in the moderate-income census tracts, where there are 21 full-service offices.

There is a high level of competition for home mortgage loans in the AA from banks, credit unions, and non-depository mortgage lenders. In 2023, 463 home mortgage lenders originated or purchased 18,280 loans in the AA. The top ten lenders originated or purchased 31.9 percent of home mortgage loans in the AA. Aggregate data showed ACB ranked 51st and originated 0.6 percent of home mortgages in the AA.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, the aggregate data assists in determining the level of competition and demand for small business loans. Aggregate data for 2022 shows that 97 institutions reported 9,549 small business loans in the AA, which indicates a highly competitive lending environment.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit needs. This information helps determine whether local financial institutions are responsive to these needs. It also indicates what credit opportunities are available.

Examiners contacted a financial counselor who assists LMI individuals in the AA. The contact stated that the housing market in the AA is competitive, and LMI families are routinely outbid on homes by higher income families. Affordable housing and childcare are needed in the AA.

The contact believes that banks in the AA need to improve their online banking capabilities and advertise these capabilities in LMI areas. Many LMI individuals are unaware that local banks offer online banking. These individuals are increasingly using fintech products for their deposit and lending needs. The contact also suggested that more banks consider offering "forgiveness" programs to individuals with negative ChexSystems reports to allow these individuals to use bank accounts while they improve their financial literacy skills.

Credit Needs

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that home mortgage and small business lending represent primary credit needs in the AA.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 10, 2022, to the current evaluation dated October 21, 2024. Examiners used the Interagency Small Institution CRA Evaluation Procedures to evaluate ACB's CRA performance. These procedures include the CRA Small Bank Lending Test, as detailed in the Appendix.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume loan originations during the evaluation period. Home mortgage loan originations exceed small business loans by both total number and dollar amount. Thus, home mortgage lending received the greatest weight when arriving at overall conclusions. Small farm and consumer lending were not reviewed as these are not major product lines for the bank.

ACB is subject to Home Mortgage Disclosure Act (HMDA) data collection requirements. Examiners reviewed all home mortgage loans reported on the bank's 2022 and 2023 HMDA Loan Application Registers for this evaluation. Examiners compared the bank's lending to applicable demographic and aggregate HMDA data, but focused on the aggregate data as it is a better indicator of local demand.

ACB is not required to collect or report small business data pursuant to CRA. Examiners used bank records to review all of its small business loan originations for 2022 and 2023. Examiners compared the bank's lending activities to applicable D&B data for the year in which loans were originated.

The total universe of originations for each loan product are shown in the following table.

Lending Reviewed for CRA Evaluation		
Loan Category	**#**	**$(000s)**
Home Mortgage		
2022	187	54,208
2023	142	40,839
Total	**329**	**95,047**
Small Business		
2022	74	17,350
2023	77	23,682
Total	**151**	**41,032**
Source: Bank Data		

While the total number and dollar volume of loans are presented throughout this evaluation, examiners emphasized performance by number of loans, because it is a better indicator of the number of businesses and individuals served. When evaluating the Geographic Distribution and Borrower Profile criteria, examiners only evaluated loans within the AA.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

ACB demonstrated reasonable performance under the Lending Test. Reasonable performance in the Geographic Distribution and Borrower Profile criteria overall, primarily support this conclusion. As noted earlier, the bank was rated Needs to Improve at the 2022 evaluation. Subsequently, the bank began numerous outreach efforts and launched loan programs to improve performance, which by their nature, took time to bear results. Consequently, examiners placed greater emphasis on the bank’s 2023 lending activities in this evaluation.

Loan-to-Deposit Ratio

The LTD ratio is excellent given the institution’s size, financial condition, and AA credit needs. The Bank’s LTD ratio, calculated from Call Report Data, averaged 90.8 percent over the past eight quarters from June 30, 2022, to June 30, 2024. The ratio ranged from a low of 82.5 percent as of June 30, 2024, to a high of 97.3 percent as of December 31, 2023. It increased over the evaluation period from an average of 88.6 percent at the previous examination.

Examiners evaluated ACB’s LTD ratio by comparing it to the ratios of similarly situated banks based on their location, asset size, and lending focus. As shown in the following table, ACB maintained a ratio higher than all the comparable institutions.

Loan-to-Deposit Ratio Comparison		
Bank	**Total Assets as of 6/30/2024 $(000s)**	**Average Net LTD Ratio (%)**
American Community Bank of Indiana	**325,999**	**90.8**
Similarly Situated Institution #1	430,822	58.1
Similarly Situated Institution #2	344,459	63.3
Similarly Situated Institution #3	536,457	51.3
Source: Reports of Income and Condition 6/30/2022 through 6/30/2024		

Assessment Area Concentration

A majority of home mortgage and small business loans, by number and dollar volume, are in the institution's AA. The following table illustrates the lending activities inside and outside of the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$(000s)**	**%**	**$(000s)**	**%**	**$(000s)**
Home Mortgage										
2022	134	71.7	53	28.3	187	35,012	64.6	19,196	35.4	54,208
2023	98	69.0	44	31.0	142	21,060	51.6	19,779	48.4	40,839
Subtotal	**232**	**70.5**	**97**	**29.5**	**329**	**56,072**	**59.0**	**38,975**	**41.0**	**95,047**
Small Business										
2022	47	63.5	27	36.5	74	10,347	59.6	7,003	40.4	17,350
2023	54	70.1	23	29.9	77	16,857	71.2	6,825	28.8	23,682
Subtotal	**101**	**66.9**	**50**	**33.1**	**151**	**27,204**	**66.3**	**13,828**	**33.7**	**41,032**
Total	**333**	**69.4**	**147**	**30.6**	**480**	**83,276**	**61.2**	**52,803**	**38.8**	**136,079**
Source: Bank Data *Due to rounding, totals may not equal 100.0%*										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA within both product lines reviewed.

Home Mortgage Loans
The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA.

As shown in the following table, the bank's lending in low-income census tracts was below the aggregate and demographic data in 2022. However, the 2023 activity increased, and the bank's performance exceeded the aggregate based on the number of loans. As noted earlier, ACB launched numerous outreach activities and expanded loan programs targeted to LMI areas subsequent to the previous evaluation. The 2023 lending in the low-income areas represents significant improvement.

With regard to the moderate-income census tracts, the bank's lending was below both the demographic and aggregate data for both years. However, like the low-income tracts, the 2023 data shows improvement. While the 2023 data remains below the aggregate, examiners considered it reasonable due to the high level of competition from other lenders in these particular areas. As noted earlier, there are 21 branch offices of other lenders located in the moderate-income tracts, including several extremely large banks that have the capacity to offer a larger number of programs targeted to LMI borrowers and areas.

Geographic Distribution of Home Mortgage Loans Assessment Area: Gary MD						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	6.7	3.4	2	1.5	162	0.5
2023	6.7	4.9	6	6.1	572	2.7
Moderate						
2022	19.0	15.8	9	6.7	643	1.8
2023	19.0	17.6	11	11.2	1,321	6.3
Middle						
2022	42.0	46.4	52	38.8	10,190	29.1
2023	42.0	44.0	34	34.7	6,749	32.0
Upper						
2022	30.5	33.5	68	50.7	23,173	66.2
2023	30.5	32.8	44	44.9	11,719	55.6
Not Available						
2022	1.8	0.9	3	2.2	845	2.4
2023	1.8	0.7	3	3.1	700	3.3
Totals						
2022	**100.0**	**100.0**	**134**	**100.0**	**35,012**	**100.0**
2023	**100.0**	**100.0**	**98**	**100.0**	**21,060**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. As shown in the following table, the bank's performance in low-income tracts trailed the percentage of businesses in 2022. In addition, the bank made no small business loans in low-income tracts in 2023. The bank's lending in the moderate-income census tracts trailed the percentage of businesses in both years, but improved in 2023.

As noted earlier, ACB is not subject to CRA data collection and reporting requirements; therefore, examiners do not directly compare ACB's small business lending activity to aggregate CRA data. Nevertheless, it is a useful indicator of loan demand. In 2022, the most recent year available, reporting lenders granted 7.5 percent by number of their loans in the low-income census tracts and 16.9 percent by number in the moderate-income census tracts. ACB's performance is generally consistent with the indicators of demand in the moderate-income tracts, and is considered reasonable.

Geographic Distribution of Small Business Loans

Assessment Area: Gary MD

Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2022	10.4	2	4.3	190	1.8
2023	10.5	0	0.0	0	0.0
Moderate					
2022	20.3	7	14.9	1,481	14.3
2023	20.3	9	16.7	2,995	17.8
Middle					
2022	39.0	21	44.7	4,385	42.4
2023	39.1	21	38.9	5,874	34.8
Upper					
2022	29.4	17	36.2	4,291	41.5
2023	29.3	24	44.4	7,988	47.4
Not Available					
2022	0.8	0	0.0	0	0.0
2023	0.9	0	0.0	0	0.0
Totals					
2022	**100.0**	**47**	**100.0**	**10,347**	**100.0**
2023	**100.0**	**54**	**100.0**	**16,857**	**100.0**

Source: 2022 & 2023 D&B Data; Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0%

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different sizes overall. Examiners focused on the percentages of home mortgage loans to LMI borrowers and small business loans to entities with GARs of $1.0 million or less. The overall conclusion is based primarily on the bank's home mortgage lending performance.

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels overall. As shown in the following table, the bank's lending to low-income borrowers trailed the aggregate data in 2022, but increased significantly and exceeded the 2023 aggregate data based on the number of loans. This is particularly noteworthy because this category includes the 12.1 percent of AA families with incomes below the poverty level. Families at that income level likely face difficulties qualifying for and/or servicing debts in amounts necessary to finance homes in the AA. Additionally, there was one home mortgage application each in 2022 and 2023 from low-income borrowers that were withdrawn before the bank could originate the loans.

However, the bank's performance among moderate-income borrowers was below the percentages of families and aggregate data during the evaluation period. As noted in the Competition section, there is a strong level of competition for home mortgage loans in Lake County. This is particularly evident among the moderate-income segment, as even the aggregate data exceeds the percentage of families. As noted in the Community Contacts section, there is a limited supply of housing available at levels affordable to moderate-income borrowers. Both factors affect lending opportunities available to moderate-income borrowers; therefore, examiners considered the bank's performance reasonable. Additionally, in 2022, ACB received 3 applications from moderate-income borrowers that were withdrawn before the bank could originate the loans.

As mentioned previously, since the last evaluation, the bank has introduced new programs targeted to LMI borrowers. These programs resulted in improved performance compared to the last evaluation, but will likely continue to benefit from additional time and outreach.

Distribution of Home Mortgage Loans by Borrower Income Level Assessment Area: Gary MD						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low						
2022	24.5	9.4	7	5.2	503	1.4
2023	24.5	9.4	11	11.2	648	3.1
Moderate						
2022	17.5	21.7	19	14.2	3,038	8.7
2023	17.5	22.3	10	10.2	1,346	6.4
Middle						
2022	19.7	22.8	28	20.9	5,080	14.5
2023	19.7	23.1	22	22.4	3,590	17.0
Upper						
2022	38.4	26.3	75	56.0	25,747	73.5
2023	38.4	24.8	47	48.0	13,862	65.8
Not Available						
2022	0.0	19.8	5	3.7	644	1.8
2023	0.0	20.3	8	8.2	1,614	7.7
Totals						
2022	**100.0**	**100.0**	**134**	**100.0**	**35,012**	**100.0**
2023	**100.0**	**100.0**	**98**	**100.0**	**21,060**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. *Due to rounding, totals may not equal 100.0%*						

Small Business Loans

The distribution of borrowers reflects poor penetration among businesses of different sizes. As shown in the following table, the bank's lending to businesses with GARs of $1.0 million or less significantly trailed the percentages of businesses in 2022 and 2023.

Examiners reviewed the 2022 aggregate small business lending data as an indicator of potential demand, which showed that reporting lenders granted approximately 53.6 percent of their loans to businesses with GARs of $1 million or less. While not all small businesses seek traditional financing, ACB's lending performance for businesses with GARs of $1.0 million or less is below the indicator of market demand and considered poor for both 2022 and 2023.

ACB's performance was also much lower than the three similarly-situated banks. All three are located in Indiana in the Gary MD, and one of the bank's AA includes portions of Lake County. The distribution of borrowers reflected reasonable penetration among businesses of different sizes for all three. For the $1 million and less GAR category, the results for the similarly-situated banks were as follows:

- Bank 1: 93.3 percent of 2022 lending v. 93.3 percent business population; and 81.0 percent of 2023 lending compared to 88.5 percent of businesses.
- Bank 2: 88.6 percent of 2019 lending compared to 82.5 percent of businesses.
- Bank 3: 75.9 percent of 2022 lending compared to 92.5 percent of businesses.

ACB's performance was considerably lower than the lending performance of all three similarly-situated banks in comparison to the aggregate data for their areas. Given these factors, ACB's lending performance for small business loans is poor.

Distribution of Small Business Loans by Gross Annual Revenue Category **Assessment Area: Gary MD**					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2022	90.3	19	40.4	4,157	40.2
2023	91.3	18	33.3	5,061	30.0
>$1,000,000					
2022	2.7	28	59.6	6,190	59.8
2023	2.4	36	66.7	11,796	70.0
Revenue Not Available					
2022	6.9	0	0.0	0	0.0
2023	6.3	0	0.0	0	0.0
Totals					
2022	**100.0**	**47**	**100.0**	**10,347**	**100.0**
2023	**100.0**	**54**	**100.0**	**16,857**	**100.0**
Source: 2022 & 2023 D&B Data; Bank Data; "--" data not available. *Due to rounding, totals may not equal 100.0%*					

<u>Response to Complaints</u>

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.
Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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