

# **PUBLIC DISCLOSURE**

April 29, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Apple River State Bank  
Certificate Number: 17453

103 Main Street  
Apple River, Illinois 61001

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

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

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

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION .....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	10
STATE OF ILLINOIS .....	11
DESCRIPTION OF INSTITUTION’S OPERATIONS IN ILLINOIS.....	11
SCOPE OF EVALUATION - ILLINOIS.....	14
CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS.....	14
STATE OF WISCONSIN.....	17
DESCRIPTION OF INSTITUTION’S OPERATIONS IN WISCONSIN .....	17
SCOPE OF EVALUATION – WISCONSIN.....	20
CONCLUSIONS ON PERFORMANCE CRITERIA IN WISCONSIN .....	21
APPENDICES .....	24
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	24
SUMMARY OF RATINGS FOR RATED AREAS .....	25
GLOSSARY .....	26

## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment areas' (AA) credit needs.
- A majority of home mortgage, small business, and small farm loans were originated in the assessment areas.
- The geographic distribution of loans criterion was not analyzed since the assessment areas do not include low- or moderate-income census tracts. As such, this criterion did not affect the rating.
- The distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses and farms of different sizes, given the demographics of the assessment areas.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

**The Community Development Test is rated Satisfactory.**

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

## **DESCRIPTION OF INSTITUTION**

### **Background**

Apple River State Bank (ARSB) is a \$551.3 million financial institution headquartered in Apple River, Illinois, which is in the northwestern part of the state of Illinois. The bank is owned by First Apple River Corporation, a one-bank holding company. The bank received a Satisfactory CRA rating at its previous FDIC Performance Evaluation, dated May 20, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

### **Operations**

ARSB operates eight full-service offices in Illinois and Wisconsin. The bank primarily offers home mortgage, commercial, and agricultural loans, along with other loan types including consumer and municipal loans. Guaranteed loan programs through the U.S. Department of Agriculture (USDA) and Small Business Administration are offered but have not been originated since the last evaluation. Long-term, fixed-rate loans are available through Freddie Mac, including Home Possible loans. In addition, the bank offers flexible options for agricultural borrowers including Farmer Mac loans. ARSB offers traditional deposit services, including checking, savings, money market deposit accounts, and certificates of deposit. Alternative banking services include telephone banking, online mortgage applications, internet and mobile banking, bill pay and person-to-person payments, and mobile capture/deposit services.

In addition to the main office, ARSB operates five full-service branch offices in Illinois, and two in Wisconsin. The branches in Illinois are located in Galena (population 3,308), Elizabeth (population 694), Hanover (population 863), Scales Mound (population 436), and Warren (population 1,323), Illinois. All six banking locations are located in Jo Daviess County. In addition to the automated teller machines (ATMs) at each banking office, ARSB operates several ATMs at other locations in the assessment areas. Only two ATMs, located in Galena and Warren, accept deposits. ARSB operates a branch office in Hazel Green, WI (population 1,173). In July 2023, the bank opened a branch in Darlington, WI (population 2,462), which is located in Lafayette County. No branch closures have occurred since the previous evaluation.

### **Ability and Capacity**

ARSB reported total assets of \$551.3 million as of December 31, 2023, which included total loans of \$327.2 million and total securities of \$175.0 million. The following table illustrates the loan portfolio composition as of December 31, 2023. Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

<b>Loan Portfolio Distribution as of 12/31/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	6,929	2.1
Secured by Farmland	81,081	24.8
Secured by 1-4 Family Residential Properties	81,635	25.0
Secured by Multifamily (5 or more) Residential Properties	1,373	0.4
Secured by Nonfarm Nonresidential Properties	63,612	19.4
<b>Total Real Estate Loans</b>	<b>234,630</b>	<b>71.7</b>
Commercial and Industrial Loans	40,335	12.3
Agricultural Production and Other Loans to Farmers	32,553	10.0
Consumer Loans	11,671	3.6
Other Loans	8,059	2.5
<b>Total Loans</b>	<b>327,248</b>	<b>100%</b>
<i>Source: Reports of Condition and Income</i>		

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. ARSB designated two assessment areas: one in the nonmetropolitan statistical area (Non-MSA) of Illinois, which includes Jo Daviess County, and one in the Non-MSA of Wisconsin, which includes Grant and Lafayette Counties. The assessment area has not changed since the previous evaluation as the newest branch, in Darlington, WI, is located in the AA that was delineated at the prior evaluation. The bank's assessment areas conform to the CRA regulation, as they do not arbitrarily exclude any low- or moderate-income census tracts, do not reflect illegal discrimination, and otherwise meet the requirements of the CRA regulation.

Complete descriptions of each assessment area are located in the Illinois Non-MSA and the Wisconsin Non-MSA sections of this evaluation. Details regarding the assessment area composition by county, number of census tracts, and number of branches are illustrated in the table below.

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
Illinois Non-MSA	Jo Daviess	7	6
Wisconsin Non-MSA	Grant and Lafayette	17	2
<i>Source: Bank Data</i>			

ARSB is considered an interstate bank because it operates in Illinois and Wisconsin. It is subject to the Interstate Banking and Branching Efficiency Act of 1994 (IBBEA). In accordance with IBBEA, separate ratings are assigned with individual procedures performed in each assessment area. In accordance with Interagency Examination CRA procedures, examiners conducted full-scope reviews of each assessment area. Given the number of branches and the majority of deposits and loan activity are in the Illinois Non-MSA AA, the bank's performance in the Illinois Non-MSA AA received greater weight in this evaluation. The following table provides more details.

Assessment Area Weighting				
Assessment Area	# of Branches	% of Branches	% Deposits	% Loans
Illinois Non-MSA	6	75.0	95.9	85.9
Wisconsin Non-MSA	2	25.0	4.1	14.1
<i>Source: Bank data and June 30, 2023 FDIC Summary of Deposits</i>				

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation dated May 20, 2021, to the current evaluation dated April 29, 2024. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Apple River State Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considered the bank's performance according to the following criteria:

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors:

- Number and dollar amount of qualified loans, investments, and services
- The responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

### Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage, small business, and small farm loans. This conclusion was based upon the bank's business strategy, number, and dollar volume of loans originated during the evaluation period. The bank's record of originating home mortgage, small business, and small farm loans were given equal weight in the overall conclusions. Furthermore, no other loan types, such as consumer loans, represent a major product or provide material support for the conclusions or rating.

Bank records and Call Report data indicated that the lending focus and product offering remained consistent throughout the evaluation period. Discussions with bank management indicates that the bank continues to focus on agricultural and business lending, along with home mortgage loans, as they serve their community. Examiners analyzed all home mortgage, small business, and small

farm loans originated since the prior evaluation and did not identify any trends that materially affect the conclusions. This evaluation presents information for loans originated in 2023 for each lending product.

The bank is not subject to the Home Mortgage Disclosure Act reporting requirements. This evaluation included closed-end home mortgage loans originated in 2023 for home purchase, home refinance, and home improvement purposes. In 2023, the bank originated 152 such loans totaling \$24.7 million. The bank's home mortgage lending performance is compared to the 2020 U.S. Census data.

Additionally, examiners considered all small business and small farm loans originated in 2023. The bank is not required to report small business and small farm data and elected not to do so. With respect to small business lending, the bank originated 310 loans totaling \$27.3 million. With respect to small farm lending, the bank originated 217 loans totaling \$20.5 million. D&B data provided a standard of comparison for the small business and small farm lending for 2023.

The table below reflects the number and dollar volume of the loan products originated in 2023. It also shows the sample of loans reviewed and presented for analysis under the Borrower Profile criterion.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Loan Sample Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Home Mortgage	152	24,667	58	8,068
Small Business	310	27,254	102	8,110
Small Farm	217	20,548	95	8,910
<i>Source: Bank Records; Loans originated from 1/1/2023 to 12/31/2023</i>				

Examiners reviewed the number and dollar volume of home mortgage, small business, and small farm loans. While both number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals, businesses, and farms served.

For the Community Development Test, bank management provided data on qualified loans, investments, and services since the prior CRA evaluation dated May 20, 2021.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

For reviews of the loan-to-deposit ratio, assessment area concentration, and consumer complaint response, examiners evaluated the overall bank performance. For the geographic distribution and borrower profile criteria, examiners evaluated bank performance both overall and separately for each assessment area. However, since the entire assessment area consists of middle- and upper-income census tracts and no low- or moderate-income designations, geographic distribution was not evaluated. Discussions of bank performance under the borrower profile criteria are below. More specific

discussions of bank performance in each assessment area are located in the Illinois Non-MSA and the Wisconsin Non-MSA sections of this evaluation.

### **Loan-to-Deposit Ratio**

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The LTD ratio, calculated from Call Report data, averaged 62.1 percent over the past 11 calendar quarters from June 30, 2021 to December 31, 2023. The ratio ranged from a low of 57.8 percent as of December 31, 2021 to a high of 69.6 percent as of December 31, 2023. The ratio remained generally stable throughout the beginning of the review period but demonstrated an upward trend since mid-2022 through year-end 2023.

Examiners evaluated Apple River State Bank's LTD ratio by comparing it to three similarly situated institutions (SSIs). Examiners selected the banks based on asset size, geographic location, and lending focus. As shown in the below table, Apple River State Bank's ratio was below that of all three SSIs, however, the ratio is not indicative of unreasonable performance. Apple River State Bank's LTD ratio is reasonable and reflects a willingness to lend throughout its assessment areas.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank (Home State)</b>	<b>Total Assets as of 12/31/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Apple River State Bank (IL)</b>	<b>551,317</b>	<b>62.1</b>
Similarly-Situated Institution #1 (WI)	470,975	86.5
Similarly-Situated Institution #2 (IA)	411,177	85.2
Similarly-Situated Institution #3 (WI)	585,905	69.4
<i>Source: Reports of Condition and Income 6/30/2021 – 12/31/2023</i>		

### **Assessment Area Concentration**

ARSB originated a majority of loans, by number and dollar volume, for all three loan products in the overall delineated assessment area in 2023. All home mortgage loans originated, and small business and small farm loans originated and renewed in 2023 were analyzed in this evaluation. A majority of home mortgage loans and small business loans and a substantial majority of small farm loans were originated in the overall AA. The following table details lending inside and outside the bank's AA by loan product.



Lending Inside and Outside of the Assessment Area										
	Number of Loans					Dollar Amount of Loans \$(000s)				
Loan Category	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2023	95	62.5	57	37.5	152	13,458	54.6	11,209	45.4	24,667
Small Business										
2023	247	79.7	63	20.3	310	19,964	73.3	7,290	26.7	27,254
Small Farm										
2023	201	92.6	16	7.4	217	18,423	89.7	2,125	10.3	20,548
<b>Total</b>	<b>543</b>	<b>80.0</b>	<b>136</b>	<b>20.0</b>	<b>679</b>	<b>51,845</b>	<b>71.5</b>	<b>20,624</b>	<b>28.5</b>	<b>72,469</b>
<i>Source: 1/1/2023 - 12/31/2023 Bank Data</i>										

### **Geographic Distribution**

As previously stated, the overall assessment area consists of middle- and upper-income census tracts. As such, the geographic distribution was not further evaluated or considered in the remaining sections of this evaluation and did not affect the rating. In addition, no conspicuous gaps in lending dispersions were identified as the bank's loans were evenly distributed throughout the overall assessment areas.

### **Borrower Profile**

The distribution of loans reflects reasonable penetration among borrowers of different income levels and businesses and farms of different sizes given the demographics of the assessment areas. This conclusion is supported by the borrower distributions in each assessment area with the greatest emphasis on the bank's lending performance in the Illinois Non-MSA assessment area. Please refer to the separate assessment area sections of this evaluation for further discussion of the bank's performance under this criterion.

### **Response to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

An overall "Satisfactory" rating is assigned under the Community Development Test. This conclusion was determined by evaluating the bank's qualified community development loans, investments, and services performed during the evaluation period. This rating is consistent with the most heavily weighted rated area, the Illinois Non-MSA. ARSB demonstrated adequate responsiveness to the community development needs of its assessment areas mainly through community development loans and services. However, the level of community development

investments is considered poor as the bank did not purchase any qualified investments during the review period with the exception of donations or grants. Examiners considered the institution's capacity and the need and availability of such opportunities in each assessment area, and compared the bank's level of community development activity to other area banks with similar lending focuses and those operating in and around the bank's designated assessment areas.

Please refer to the comments below on the overall community development activities and to each AA for more detailed information regarding community development activities in each AA.

ARSB's overall community development performance is lower when compared to the three SSI's loans and investments, but higher in services. Specifically, ARSB's community development loan performance is comparable to the previous evaluation but lower than the three SSIs. However, some of these institutions operate in metropolitan areas where there are more opportunities for community development loans and investments. ARSB has offices in non-metropolitan areas, and as such, have limited opportunities for seeking and acquiring qualifying community development loans and investments. Lastly, the bank's community development service performance is slightly lower than the previous evaluation but above all three of the SSIs. This information provides support for ARSB's overall Satisfactory rating under the Community Development Test.

### **Community Development Loans**

ARSB originated nine community development loans totaling nearly \$2.7 million during the evaluation period. This level of activity represents 0.5 percent of total assets and 0.8 percent of total loans as of the December 31, 2023. The bank made community development loans in both assessment areas with eight loans in the Illinois Non-MSA and one loan in the Wisconsin Non-MSA during the evaluation period. At the last evaluation, the bank had 24 qualified community development loans totaling \$2.6 million, which also represented 0.8 percent of total loans.

ARSB's level of community development lending was compared to three SSIs that were evaluated during the review period. The SSIs had community development loans to total loans ratios ranging from 4.1 percent to 21.5 percent. ARSB's ratio of 0.8 percent is the lowest among the SSIs; however, the community development lending performance is comparable to the prior evaluation.

The following table summarizes the bank's community development lending activity by year and purpose since the prior evaluation. Refer to the separate AA sections of this evaluation for further details.

<b>Community Development Lending – All AAs by Year</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
5/21/2021-12/31/2021	-	-	-	-	1	141	-	-	1	141
2022	-	-	-	-	4	312	-	-	4	312
2023	-	-	-	-	2	40	1	1,671	3	1,711
YTD 2024	-	-	1	500	-	-	-	-	1	500
<b>Total</b>	-	-	1	500	7	493	1	1,671	9	2,664
<i>Source: Bank Data</i>										

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Illinois Non-MSA	-	-	1	500	7	493	-	-	8	993
Wisconsin Non-MSA	-	-	-	-	-	-	1	1,671	1	1,671
<b>Total</b>	-	-	1	500	7	493	1	1,671	9	2,664
<i>Source: Bank Data</i>										

### **Qualified Investments**

ARSB held one qualified investment totaling \$300,000 and made 19 donations totaling \$25,000 for the current evaluation period. This level of activity represents 0.06 percent of total assets and 0.2 percent of total securities based on the December 31, 2023 Call Report data. At the prior evaluation, the bank had 45 qualified investments totaling \$1.1 million, which represented 0.7 percent of total securities. The investments and donations Apple River State Bank provided over the evaluation were considered consistent with assessment area needs. The following table illustrates ARSB's qualified investment activity by year and purpose since the prior evaluation. Further discussion of the bank's qualified investment activities can be found in the separate AA sections of this evaluation.

Community Development Investments – All AAs by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	1	300	-	-	-	-	1	300
5/21/2021-12/31/2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-
YTD 2024	-	-	-	-	-	-	-	-	-	-
<b>Subtotals</b>	-	-	1	300	-	-	-	-	1	300
Qualified Grants & Donations	-	-	16	22	-	-	3	3	19	25
<b>Total</b>	-	-	17	322	-	-	3	3	20	325
<i>Source: Bank Data</i>										

Community Development Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Illinois Non-MSA	-	-	17	322	-	-	-	-	17	322
Wisconsin Non-MSA	-	-	-	-	-	-	3	3	3	3
<b>Total</b>	-	-	17	322	-	-	3	3	20	325
<i>Source: Bank Data</i>										

## **Community Development Services**

Bank directors, officers, and employees provided 123 instances of financial expertise or technical assistance to community development-related organizations during the evaluation period. ARSB's level of qualified services is the highest compared to the three SSIs. These banks had qualified services at their most recent CRA evaluation ranging from a low of 32 services to a high of 69 services. At the prior evaluation, the bank provided 165 community development services.

The following table summarizes the community development services by year and purpose since the prior evaluation. Refer to the separate AA sections of this evaluation for further details.

<b>Community Development Services – All AAs by Year</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
5/21/2021 - 12/31/2021	-	19	10	-	<b>29</b>
2022	-	20	12	-	<b>32</b>
2023	-	20	11	-	<b>31</b>
YTD 2024	-	20	11	-	<b>31</b>
<b>Total</b>	-	<b>79</b>	<b>44</b>	-	<b>123</b>
<i>Source: Bank Data</i>					

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Illinois Non-MSA	-	75	14	-	<b>89</b>
Wisconsin Non-MSA	-	4	30	-	<b>34</b>
<b>Total</b>	-	<b>79</b>	<b>44</b>	-	<b>123</b>
<i>Source: Bank Data</i>					

Bank employees provide financial literacy courses at local schools. In addition, many employees participate at board and committee level in local community development activities that help promote economic development in the overall assessment area. In addition to community development services, the bank also provides services to an underserved middle-income county as part of the Wisconsin Non-MSA assessment area. The locations of the bank's branches provide banking services to low- and moderate-income individuals throughout the assessment areas.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal practices; therefore, this consideration did not affect the overall CRA rating.

## STATE OF ILLINOIS

### CRA RATING FOR STATE OF ILLINOIS:

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN ILLINOIS

Apple River State Bank has designated an assessment area located in a nonmetropolitan area in northwestern Illinois. The assessment area consists of Jo Daviess County, which is comprised of seven census tracts. As mentioned previously, the bank operates six offices in Illinois. As of June 30, 2023, the bank had \$444.2 million in deposits in its Illinois Non-MSA assessment area, which represents 95.9 percent of the bank's total deposits as of the same date.

#### **Economic and Demographic Data**

The assessment area includes Jo Daviess County in northwestern Illinois. According to the 2015 American Community Survey, the seven census tracts in the county reflect the following income designations:

- Five middle-income tracts, and
- Two upper-income tracts.

The following table illustrates select demographic characteristics of the Illinois Non-MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Illinois Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	0.0	71.4	28.6	0.0
Population by Geography	22,035	0.0	0.0	82.0	18.0	0.0
Housing Units by Geography	13,723	0.0	0.0	69.8	30.2	0.0
Owner-Occupied Units by Geography	7,718	0.0	0.0	78.6	21.4	0.0
Occupied Rental Units by Geography	2,351	0.0	0.0	93.6	6.4	0.0
Vacant Units by Geography	3,654	0.0	0.0	35.7	64.3	0.0
Businesses by Geography	2,465	0.0	0.0	81.4	18.6	0.0
Farms by Geography	281	0.0	0.0	79.0	21.0	0.0
Family Distribution by Income Level	6,529	17.8	13.5	25.2	43.5	0.0
Household Distribution by Income Level	10,069	19.3	17.4	17.4	45.9	0.0
Median Family Income Non-MSAs – IL		\$68,958	Median Housing Value			\$178,955
			Median Gross Rent			\$724
			Families Below Poverty Level			6.7%
Sources: 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.						

The FFIEC-updated median family income levels are used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
IL NA Median Family Income (99999)				
2023 (\$82,300)	<\$41,150	\$41,150 to <\$65,840	\$65,840 to <\$98,760	≥\$98,760
Source: FFIEC				

The analysis of small business and small farm loans under the borrower profile criterion compares the distribution of loans to the distribution of businesses and farms by revenue category.

According to 2023 D&B data, the assessment area contained 2,465 businesses. Gross annual revenues (GARs) for these businesses are below:

- 86.6 percent have GARs of \$1 million or less,
- 3.7 percent have GARs over \$1 million, and
- 9.8 percent have unknown GARs.

The assessment area also contains 281 farms. GARs for these farms are as follows:

- 98.2 percent have GARs of \$1 million or less,
- 1.4 percent have GARs over \$1 million, and
- 0.4 percent have unknown GARs.

Among all farm and non-farm businesses, service industries represent the largest portion of businesses (30.8 percent), followed by non-classifiable establishments (18.2 percent), retail trade (12.8 percent), and agriculture (10.2 percent). In addition, 92.7 percent of assessment area businesses have nine or fewer employees and 90.9 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor and Statistics and displayed in the table below indicates that unemployment remains higher than the national average and the entire State of Illinois. From February 2023 to February 2024, the unemployment rate increased approximately 0.4 percent.

Unemployment Rates	
County or Area	February 2024
	%
Jo Daviess County	5.8
State of Illinois	5.3
National Average	4.2
Source: Bureau of Labor Statistics	

## **Competition**

Competition in the market is low for financial services within the assessment area. According to the FDIC Deposit Market Share data as of June 30, 2023, there were six financial institutions that operate 13 full-service offices in the assessment area. Of these institutions, Apple River State Bank ranked 1<sup>st</sup> with a 51.9 percent deposit market share. In addition, the bank works with a local title company to research all mortgage filings in Jo Daviess County. For the three year-ends covered by the review period, 2021, 2022, and 2023, ARSB had the most mortgage filings of any bank, with over 30 percent of the total mortgage files each year.

## **Community Contact**

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

For the Illinois Non-MSA assessment area, one existing community contact was reviewed. The contact was made with a representative of an agricultural organization in the assessment area. The contact discussed recent beneficial years for area farmers. One of the financing needs for area farming operations is obtaining farming equipment. Rising interest rates and input prices are putting some stress on borrowers. The contact further noted that fewer lenders are engaging in significant agricultural lending. Overall, the contact felt that local financial institutions are

responsive to credit and community development needs in the area and named Apple River State Bank as a significant lender, particularly for agricultural loans.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing represents a primary credit need for the assessment area, as well as ensuring continued access to credit for agricultural borrowers. Small business lending opportunities also exist given the large number of businesses and the importance of tourism in the area.

## **SCOPE OF EVALUATION - ILLINOIS**

The rating for the State of Illinois is based upon a full-scope evaluation of the bank's performance in the Illinois Non-MSA assessment area. Home mortgage, small business, and small farm loans were considered with equal weight given to all three products in this assessment area based on lending volume and discussions with management. For this evaluation, the Illinois Non-MSA assessment area received greater weight than the Wisconsin Non-MSA assessment area as a substantial majority of the bank's operations, loans, and deposits are located within the Illinois Non-MSA assessment area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS**

### **LENDING TEST**

The bank's lending performance reflects reasonable responsiveness to the credit needs in the Illinois Non-MSA assessment area. This conclusion was determined by evaluating the borrower profile for home mortgage, small business, and small farm loans.

### **Geographic Distribution**

Since the Illinois Non-MSA assessment area consists of middle- and upper-income census tracts and no low- or moderate-income designations, geographic distribution was not further evaluated or considered in this evaluation and did not affect the rating.

### **Borrower Profile**

#### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers reflects reasonable penetration among individuals of different income levels. Examiners compared the bank's performance to demographic data.

According to demographic data as shown in the table below, the percentage of low-income borrowers in this assessment area was 17.8 percent. Additionally, 6.7 percent of the assessment area's families had incomes below the poverty level. These families typically do not possess the financial means to qualify for or afford a home mortgage loan due to financial constraints. In the home mortgage loans



sampled, Apple River State Bank originated 8.9 percent of home mortgage loans to low-income borrowers. This level of lending is considered reasonable. The bank originated one-third of its home mortgage loans to moderate-income borrowers, compared to demographic data of 13.5 percent, which is considered excellent.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: Illinois Non-MSA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	17.8	4	8.9	175	3.2
Moderate	13.5	15	33.3	1,396	25.6
Middle	25.2	11	24.4	1,024	18.8
Upper	43.5	15	33.3	2,858	52.4
<b>Total</b>	<b>100.0</b>	<b>45</b>	<b>100%</b>	<b>5,453</b>	<b>100%</b>
<i>Sources: 2020 U.S. Census; Bank Data; Due to rounding, totals may not equal 100.0%</i>					

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses of different sizes. As shown in the table below, Apple River State Bank originated 83.3 percent of its small business loans in this assessment area to businesses with GARs of \$1 million or less, which is comparable to the percentage of businesses in the assessment area of 86.6 percent. Although performance by percentage is slightly lower than demographic data, the bank's overall lending for the year demonstrates a willingness to lend to businesses of all sizes; therefore, performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Illinois Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	86.6	45	83.3	3,048	73.4
>\$1,000,000	3.7	9	16.7	1,105	26.6
Revenue Not Available	9.8	0	--	0	--
<b>Total</b>	<b>100.0</b>	<b>54</b>	<b>100%</b>	<b>4,153</b>	<b>100%</b>
<i>Sources: 2023 D&amp;B Data, Bank Data; Due to rounding, totals may not equal 100.0%</i>					

### ***Small Farm Loans***

The distribution of small farm loans reflects reasonable penetration of loans to farms of different sizes. According to D&B data, 98.2 percent of the farms in the assessment area have GARs of \$1 million or less. In 2020, the bank originated all but one of the loans in the sample to farming operations with less than GARs of \$1 million or less, representing 98 percent of its lending. The bank's small farm lending demonstrates a willingness to lend to small farms and reflects reasonable performance in this assessment area.

## COMMUNITY DEVELOPMENT TEST

Apple River State Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

### Community Development Loans

ARSB originated eight community development loans totaling approximately \$993,000 during the evaluation period. This level of community development lending in this assessment area is lower than the bank's last evaluation when the bank originated 16 community development loans totaling approximately \$1.9 million in this assessment area. ARSB operates in a non-metropolitan area where community development lending opportunities are more limited. The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending – Illinois Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
5/21/2021-12/31/2021	-	-	-	-	1	141	-	-	1	141
2022	-	-	-	-	4	312	-	-	4	312
2023	-	-	-	-	2	40	-	-	2	40
YTD 2024	-	-	1	500	-	-	-	-	1	500
<b>Total</b>	-	-	1	500	7	493	-	-	8	993
<i>Source: Bank Data</i>										

Below are some notable examples of the bank's community development loans:

- In 2022, the bank originated a \$201,000 loan to a local business to improve the building. The property is located within a tax increment financing (TIF) district, further demonstrating the bank's responsiveness to the community's needs of economic development throughout the AA.
- In 2024, the bank originated a \$500,000 loan to a local organization that provides critical care in the AA. This loan supports community services and provides necessary critical care to a medically underserved area.

### Qualified Investments

ARSB did not make any new qualified community development investments during the review period. However, the bank continues to hold one prior period investment totaling \$300,000 that supports community service. The prior period investment supports a critical care access center in the AA. The bank also provided 17 donations totaling approximately \$322,000 to various organizations that support low- or moderate-income individuals and families during the review period.

## **Community Development Services**

ARSB participated in 89 qualified community development services during the evaluation period involving over 18 organizations. The number of qualifying services has decreased since the last review period, when bank employees participated in 153 instances of qualified community development services involving over 30 organizations. The following table illustrates the bank's community development services by category and year.

<b>Community Development Services – Illinois Non-MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
5/21/2021 - 12/31/2021	-	18	4	-	<b>22</b>
2022	-	19	4	-	<b>23</b>
2023	-	19	3	-	<b>22</b>
YTD 2024	-	19	3	-	<b>22</b>
<b>Total</b>	-	<b>75</b>	<b>14</b>	-	<b>89</b>
<i>Source: Bank Data</i>					

Below are notable examples of the bank's community development services:

- Apple River State Bank has multiple employees that are members of Economic Development and Chamber of Commerce organizations in local municipalities. Bank employees are active in assisting and promoting new business growth in the AA.
- Various bank employees participate in the KidSense financial literacy program. The program teaches elementary students the basics of banking with participation in all schools located in Jo Daviess County.

As mentioned previously, there are no low- or moderate-income census tracts. The location of the bank's branches does not impede its ability to reach low- or moderate-income individuals.

## **STATE OF WISCONSIN**

### **CRA RATING FOR STATE OF WISCONSIN:**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN WISCONSIN**

Apple River State Bank has one assessment area located in a nonmetropolitan area in southwest Wisconsin. The Wisconsin Non-MSA assessment area consists of Grant and Lafayette Counties. The assessment area is comprised of 17 total census tracts with 12 tracts in Grant County and five tracts in Lafayette County. As mentioned previously, the bank operates two offices in Wisconsin.

As of June 30, 2023, the bank had \$18.8 million in deposits in its Wisconsin Non-MSA assessment area, which represents 4.1 percent of the bank’s total deposits as of the same date.

### **Economic and Demographic Data**

The assessment area includes Grant County and Lafayette County in southwestern Wisconsin. According to the 2020 U.S. Census, all 17 census tracts in the AA have been designated as middle-income. In addition, all five tracts in Lafayette County have been designated as underserved middle-income nonmetropolitan tracts according to the FFIEC throughout the entire review period. The following table illustrates select demographic characteristics of the Wisconsin Non-MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Wisconsin Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	17	0.0	0.0	100.0	0.0	0.0
Population by Geography	68,549	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	29,522	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	18,859	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	7,573	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	3,090	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	6,079	0.0	0.0	100.0	0.0	0.0
Farms by Geography	1,062	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	16,567	19.5	19.4	22.5	38.6	0.0
Household Distribution by Income Level	26,432	24.2	17.0	19.0	39.8	0.0
Median Family Income Non-MSAs - WI		\$71,740	Median Housing Value			\$148,053
			Median Gross Rent			\$701
			Families Below Poverty Level			8.0%
Sources: 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.						

The FFIEC-updated median family income levels are used to analyze home mortgage loans under the borrower profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
WI NA Median Family Income (99999)				
2023 (\$86,000)	<\$43,000	\$43,000 to <\$68,800	\$68,800 to <\$103,200	≥\$103,200
Source: FFIEC				

The analysis of small business and small farm loans under the borrower profile criterion compares the distribution of loans to the distribution of businesses and farms by revenue category.

According to 2023 D&B data, the assessment area contained 6,079 businesses. Gross annual revenues (GARs) for these businesses are below:

- 84.8 percent have GARs of \$1 million or less,
- 3.1 percent have GARs over \$1 million, and
- 12.0 percent have unknown GARs.

The assessment area also contains 1,062 farms. GARs for these farms are as follows:

- 97.8 percent have GARs of \$1 million or less,
- 1.5 percent have GARs over \$1 million, and
- 0.7 percent have unknown GARs.

Among all farm and non-farm businesses, service industries represent the largest portion of businesses (26.7 percent), followed by non-classifiable establishments (19.7 percent), agriculture (14.9 percent), and retail trade (9.9 percent). In addition, 92.4 percent of the businesses have nine or fewer employees and 90.2 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor and Statistics and displayed in the table below indicates that unemployment in both counties of the assessment area are lower than both the national average and approximate to the entire state of Wisconsin. From February 2023 to February 2024, the unemployment rate decreased slightly in both counties with a 0.3 percent drop in Grant County and a 0.2 percent decline in Lafayette County.

Unemployment Rates	
County or Area	February 2024
	%
Grant County	3.2
Lafayette County	2.9
State of Wisconsin	3.3
National Average	4.2
Source: Bureau of Labor Statistics	

## **Competition**

There is moderate competition in the market for financial services within the assessment area. According to the FDIC Deposit Market Share data as of June 30, 2023, there were 15 financial institutions that operate 50 full-service offices in the assessment area. No financial institution holds more than 20 percent of the deposits, with four banks holding more than 10 percent. Of these 15 institutions, Apple River State Bank ranked 13<sup>th</sup> with a 1 percent deposit market share.

## **Community Contact**

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

A recent community contact with an individual who is familiar with economic development was reviewed for the Wisconsin Non-MSA assessment area. The contact indicated that the current economic conditions of the area appear to be positive. Businesses are relocating to the area that are concentrated in manufacturing industries, as well as the medical field. The contact stated that lower taxes and strong education are making Wisconsin a more attractive choice than neighboring states. While there has been a lot of housing development over the last few years, affordable housing can be harder to find. The contact noted there are ample opportunities in the area for agriculture and business lending.

## **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing represents a primary credit need for the assessment area. Opportunities for originating such loans throughout the assessment area is low as housing inventory is low. Small business and small farm lending opportunities and demand are significant throughout the assessment area.

## **SCOPE OF EVALUATION – WISCONSIN**

The rating for the State of Wisconsin is Satisfactory based upon a full-scope evaluation of the bank's performance in the Wisconsin Non-MSA assessment area. Home mortgage, small business, and small farm loans were considered, with small farm loans and small business loans receiving more weight than home mortgage based on lending volume and discussions with management. As discussed previously, the Wisconsin Non-MSA assessment area received less weight than that of the Illinois Non-MSA assessment area as a substantial majority of the bank's operations, loans, and deposits are located within the Illinois Non-MSA assessment area.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN WISCONSIN

### LENDING TEST

The bank's lending performance reflects reasonable responsiveness to the credit needs in the Wisconsin Non-MSA assessment area. This conclusion was determined by evaluating the borrower profile for home mortgage, small business, and small farm loans.

#### Geographic Distribution

The assessment area contains only middle-income census tracts. Due to the homogeneous nature of this area, an in-depth review of the loan distribution was not analyzed for geographic distribution; therefore, this criterion did not affect the overall rating.

#### Borrower Profile

##### *Home Mortgage Loans*

Apple River State Bank only originated 13 home mortgage loans in this assessment area. While none of the sample home mortgage loans were originated to low-income families, the minimal number of home mortgage loans originated in the assessment area during the review period limits the ability to draw meaningful conclusions regarding the bank's lending performance. Two loans (15.4 percent) were originated to moderate-income borrowers, which is slightly below the census demographic of 19.4 percent. Given the nominal volume, an analysis of this data carries less weight in the assessment for this criterion for the Wisconsin AA since home mortgage lending carries less weight in this assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: Wisconsin Non-MSA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	19.5	0	--	0	--
Moderate	19.4	2	15.4	367	14.0
Middle	22.5	2	15.4	315	12.0
Upper	38.6	9	69.2	1,933	73.9
<b>Total</b>	<b>100.0</b>	<b>13</b>	<b>100%</b>	<b>2,615</b>	<b>100%</b>

Sources: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%.

##### *Small Business Loans*

Apple River State Bank demonstrated reasonable performance in originating small business loans in the Wisconsin Non-MSA AA. The bank originated 39 loans or 81.3 percent, which is comparable to the demographic data regarding the percentage of businesses with GARs of \$1 million or less at 84.8 percent. The following table provides more detail.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Wisconsin Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	84.8	39	81.3	3,288	83.1
>\$1,000,000	3.1	9	18.7	669	16.9
Revenue Not Available	12.0	0	--	0	--
<b>Total</b>	<b>100.0</b>	<b>48</b>	<b>100%</b>	<b>3,957</b>	<b>100%</b>
<i>Sources: 2023 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

### ***Small Farm Loans***

The distribution of small farm loans reflects reasonable penetration of loans to farms of different sizes. For 2023, the bank originated all of the loans in the sample (45 loans totaling \$5.1 million) to small farms (farms with GARs of \$1 million or less). D&B data shows that 97.8 percent of the farms in this assessment area have GARs of \$1 million or less. The bank's small farm lending demonstrates a willingness to lend to small farms and reflects reasonable performance in this assessment area.

## **COMMUNITY DEVELOPMENT TEST**

ARSB demonstrated adequate responsiveness to the community development needs of its AA through community development loans, investments, and services. Examiners considered the institution's capacity and the need and availability of such opportunities.

### **Community Development Loans**

ARSB originated one community development loan totaling approximately \$1.7 million during the evaluation period (originated in 2023). The loan was to a village that is located in an underserved area due to its rural location and was to finance infrastructure improvements in the village and supported revitalization and stabilization of the area. The level of community development lending by number is lower than the last evaluation when the bank originated eight community development loans totaling \$740,000.

### **Qualified Investments**

ARSB made three qualified donations during the review period totaling approximately \$3,000. Two donations were to local food pantries that support community services and one donation totaling \$2,500 was to a village for improvements that is located in an underserved area, which supported revitalization and stabilization of the area.

### **Community Development Services**

ARSB participated in 34 qualified community development services during the evaluation period serving eight organizations. This level of community development services in this AA is



significantly higher than the last evaluation when the bank had 12 qualified community development services serving just four different organizations. The following table illustrates the bank's community development services by category and year.

<b>Community Development Services – Wisconsin Non-MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
5/21/2021 - 12/31/2021	-	1	6	-	7
2022	-	1	8	-	9
2023	-	1	8	-	9
YTD 2024	-	1	8	-	9
<b>Total</b>	-	<b>4</b>	<b>30</b>	-	<b>34</b>
<i>Source: Bank Data</i>					

Apple River State Bank has multiple employees that are members of local Economic Development and Chamber of Commerce groups in the various townships located in the assessment area. Bank employees are active in assisting and promoting new business growth in the area.

As mentioned previously, there are no low- or moderate-income census tracts in this assessment area. The location of the bank's branches does not impede its ability to reach low- or moderate-income individuals.

## **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.

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>	<b>Rating</b>
State of Illinois	Satisfactory	Satisfactory	Satisfactory
State of Wisconsin	Satisfactory	Satisfactory	Satisfactory

## 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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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.