

PUBLIC DISCLOSURE

July 29, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peoples Bank
Certificate Number: 29523

9204 Columbia Avenue
Munster, Indiana 46321

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 area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated High Satisfactory.

- Lending levels reflect good responsiveness to assessment area (AA) credit needs.
- A high percentage of loans were made within the institution’s AA.
- The geographic distribution of loans reflects adequate penetration throughout the AA.
- The distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses of different sizes.
- The institution uses innovative and flexible lending practices to serve AA credit needs, particularly those of low- or moderate-income individuals or geographies.
- The institution made a relatively high level of community development loans.

The Investment Test is rated Low Satisfactory.

- The institution has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits adequate responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative or complex investments to support community

development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are accessible to essentially all portions of the institution's AA.
- To the extent changes have occurred, the institution's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies and/or individuals.
- The institution provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Peoples Bank is headquartered in Munster, Indiana (Lake County) and operates in northwestern Indiana and the greater metropolitan area of Chicago, Illinois. The bank is wholly owned by Finward Bancorp, a one-bank holding company also located in Munster. Peoples Bank obtained its charter in 1910 and does not have any subsidiaries or affiliates that offer credit products or services. The institution received a Satisfactory rating at its previous FDIC CRA Performance Evaluation, dated June 1, 2021, based on Intermediate Small Institution Examination Procedures.

Peoples Bank currently operates 26 branch offices and 30 automated teller machines (ATMs). Thirteen banking locations, including the main office, are in Lake County, Indiana; one branch is in neighboring Porter County, Indiana; one branch is in DuPage County, Illinois, and the remaining eleven branches are in Cook County, Illinois. Seven branches are within low- or moderate-income census tracts.

Since the previous evaluation, Peoples Bank acquired Royal Savings Bank, a Chicago-area institution, in January 2022. This acquisition added nine branch offices and one ATM location within Cook and DuPage Counties, Illinois. Peoples Bank also opened a new branch in Cedar Lake, Indiana in March 2022. Subsequently, the bank closed a total of six branches in 2022 and 2023, including two of the branch offices and the ATM location acquired from Royal Savings Bank.

The following tables provide relevant information regarding the acquired institution and details regarding the institution's other branch changes.

Acquired Bank Name (Headquarters Location)	FDIC Certificate Number	Acquisition Date	Total Assets as of Acquisition Date	Number of Offices as of Acquisition Date
Royal Savings Bank (Chicago, IL)	28068	1/31/2022	\$546.4 million (12/31/2021)	9

Office Name	Type	Address	Open/Acquire/Close	Date
Cedar Lake	Banking Center	10201 W. 133rd Cedar Lake, IN 46303	Opened	3/15/2022
Taylor	Banking Center	1410 W. Taylor St. Chicago, IL 60657	Acquired / Closed	1/31/2022 / 12/30/2022
47th	Banking Center	1823 W. 47th St. Chicago, 60607	Acquired / Closed	1/31/2022 / 7/1/2022
55th	Banking Center	2740 W. 55th St. Chicago, IL 60632	Acquired	1/31/2022
Archer	Banking Center	2869 S. Archer Ave. Chicago, IL 60608	Acquired	1/31/2022
Pete's Market	Banking Center	3448 E. 118th St. Chicago, IL 60617	Acquired	1/31/2022
Pulaski	Banking Center	5400 S. Pulaski Chicago, IL 60632	Acquired	1/31/2022
Commercial	Banking Center	9226 S. Commercial Ave., Chicago, IL 60617	Acquired	1/31/2022
Ewing ATM	ATM	10555 S. Ewing Ave., Chicago, IL 60617	Acquired / Closed	1/31/2022 / 9/30/2023
Milwaukee Ave.	Banking Center	7840 N. Milwaukee Ave. Niles, IL. 60714	Acquired	1/31/2022
East Ogden Ave.	Banking Center	21 E. Ogden Ave. Westmont, IL. 60559	Acquired	1/31/2022
Taft	Banking Center	7915 Taft St. Merrillville, IN 46410	Closed	7/1/2022
Rimbach	Banking Center	130 Rimbach Hammond, IN 46320	Closed	1/31/2023
Winfield	Banking Center	10688 Randolph St. Winfield, IN 46307	Closed	3/31/2023
Wolf Rd.	Banking Center	11275 W. 143rd Orland Park, IL 60467	Closed	2/28/2023

Peoples Bank's assets totaled \$2.1 billion as of March 31, 2024. This figure includes total loans of \$1.5 billion and total securities of \$346.2 million. The institution's assets increased by approximately \$518.0 million since the previous evaluation. Peoples Bank's loan portfolio increased by approximately \$532.0 million over the same timeframe. The acquisition of Royal Savings Bank was the primary driver of growth since the previous evaluation. Peoples Bank's deposit base as of March 31, 2024, slightly exceeded \$1.7 billion.

Peoples Bank offers traditional loan products including home mortgage, commercial, and consumer loans, primarily focusing on commercial and home mortgage lending. Business products include term and Small Business Administration (SBA) loans, and lines-of-credit. The bank provides a variety of deposit services including checking, savings, money market deposit accounts, certificates of deposit, and digital banking services. Alternative banking services include mobile and internet banking, ATMs, person-to-person payments, and drive-up facilities. The bank maintains a website at www.ibankpeoples.com.

Additionally, the institution's Wealth Management Group provides estate administration and planning, guardianships, retirement planning, self-directed Individual Retirement Accounts and Keogh accounts, investment agency accounts, and financial planning. The Wealth Management Group may also serve as a personal representative of estates and act as trustee of revocable and irrevocable trusts.

Home mortgage lending, including multifamily lending, comprises the largest lending category at \$750.4 million or approximately 49.7 percent. Commercial lending, including commercial real

estate, and commercial and industrial loans, comprises the second largest percentage of the institution’s loan portfolio at \$611.2 million or approximately 40.5 percent. The bank also originates and sells a substantial number of home mortgage loans on the secondary market, and the loan portfolio does not fully reflect this activity. Nonetheless, the loan portfolio distribution is representative of the bank’s business strategy and lending focus. The following table details the loan portfolio distribution by category.

Loan Portfolio Distribution as of 3/31/2024		
Loan Category	\$(000s)	%
Construction and Land Development	102,446	6.9
Secured by Farmland	0	0.0
1-4 Family Residential	529,595	35.1
Multi-family (5 or more) Residential	220,789	14.6
Commercial Real Estate	518,166	34.3
Total Real Estate Loans	1,370,996	90.9
Commercial and Industrial	93,055	6.2
Agricultural	0	0.0
Consumer	35,651	2.4
Other	9,216	0.5
Less: Unearned Income	0	0.0
Total Loans	1,508,918	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet AA credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. Peoples Bank delineated a single AA including four contiguous counties in their entirety: Lake and Porter counties in Indiana and Cook and DuPage counties in Illinois. All four counties are part of the Chicago-Naperville-Elgin, IL-IN-WI multistate metropolitan statistical area (MSA); therefore, examiners analyzed and assigned ratings for the bank’s collective performance within this single AA and did not assign separate state ratings for Indiana or Illinois. The bank added DuPage County since the previous evaluation.

This AA does not arbitrarily exclude any low- or moderate-income census tracts, includes all geographies where the bank operates offices, does not reflect illegal discrimination, and otherwise meets the requirements of the CRA regulations.

Economic and Demographic Data

Based on 2020 U.S. Census data, the bank’s AA contains 1,726 census tracts with the following income levels: 250 low-; 400 moderate-; 521 middle-; and 531 upper-income. The AA also

contains 24 tracts with no income designation. The following table illustrates select economic and demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Chicago-Naperville-Elgin, IL-IN-WI MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,726	14.5	23.2	30.2	30.8	1.4
Population by Geography	6,880,333	11.0	23.1	33.0	32.3	0.5
Housing Units by Geography	2,842,660	11.4	22.3	32.4	33.2	0.6
Owner-Occupied Units by Geography	1,572,199	5.9	18.9	36.3	38.6	0.4
Occupied Rental Units by Geography	1,017,388	17.2	26.5	28.6	26.7	1.0
Vacant Units by Geography	253,073	22.3	26.5	24.0	26.3	0.9
Businesses by Geography	914,898	7.2	17.7	30.7	43.8	0.6
Farms by Geography	10,057	6.4	17.9	33.0	42.3	0.4
Family Distribution by Income Level	1,591,777	24.7	16.5	18.5	40.3	0.0
Household Distribution by Income Level	2,589,587	26.7	15.4	16.5	41.3	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Evanston, IL		\$92,622	Median Housing Value			\$280,218
Median Family Income MSA - 23844 Gary, IN		\$75,625	Median Gross Rent			\$1,219
			Families Below Poverty Level			9.3%
<i>Source: 2020 U.S. Census and 2023 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of business by gross annual revenue (GAR) level. The analysis of the Geographic Distribution criterion compares the bank’s small business lending to the distribution of businesses by tract income category. According to the 2023 D&B data, the AA contains 914,898 non-farm businesses with the following GAR levels:

- 90.7 percent have \$1 million or less
- 3.4 percent have more than \$1 million
- 5.9 percent have unknown revenues

Further, 2023 D&B data shows that the largest industries in the AA are services (33.3 percent); finance, insurance and real estate (10.8 percent); retail trade (9.1 percent); and transportation (6.5 percent). In addition, 94.5 percent of AA businesses operate from a single location, and 50.0

percent have four or fewer employees. Major employers in the AA include Chicago Public Schools, the City of Chicago, Cook County, University of Chicago, Franciscan Health, Community Hospital, Purdue University Northwest, Amazon, and US Steel Corporation.

Examiners also consider employment data when evaluating a bank’s ability to lend in the AA. Data obtained from the U.S. Bureau of Labor Statistics, as illustrated in the following table, shows the unemployment rates within the AA have remained relatively consistent for DuPage County, while Lake and Porter Counties experienced increases in 2022 and level performance in 2023. Cook County decreased in 2022 and remained constant in 2023. Lake and Cook Counties have generally exceeded state and national averages.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Lake County	4.1	4.6	4.7
Porter County	2.6	3.3	3.2
Indiana	4.2	4.0	4.2
Cook County	4.4	4.0	4.0
DuPage County	2.9	2.9	3.1
Illinois	2.5	2.7	2.9
National Average	3.9	3.5	3.7

Source: U.S. Bureau of Labor Statistics

With regard to home mortgage lending, the Geographic Distribution criterion compares the bank’s lending activities to the distribution of owner-occupied housing units. Examiners focused on the percentages of loans within low- and moderate-income census tracts. According to 2020 U.S. Census data, the AA contains 2,842,660 housing units, with 55.3 percent owner-occupied, 35.8 percent occupied by rental units, and 8.9 percent vacant, indicating a moderate level of opportunity for home mortgage lending.

For the Borrower Profile criterion, examiners analyzed the bank’s home mortgage lending performance through comparisons to the distribution of AA families by income category, based on the FFIEC-updated median family income ranges shown in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Chicago-Naperville-Evanston, IL Median Family Income (16984)				
2022 (\$105,700)	<\$52,850	\$52,850 to <\$84,560	\$84,560 to <\$126,840	≥\$126,840
2023 (\$109,800)	<\$54,900	\$54,900 to <\$87,840	\$87,840 to <\$131,760	≥\$131,760
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

Although analyzed as one single multistate AA, the AA includes portions of two separate metropolitan divisions: Chicago-Naperville-Evanston, Illinois and Gary, Indiana. The FFIEC separately estimates median family income levels for each of these metropolitan divisions; therefore, for each loan analyzed under the Borrower Profile criterion, examiners used the applicable median family income level depending on where the loan was located. For example, examiners compared loans in Cook County to the median family income level for the Chicago-Naperville-Evanston, Illinois metropolitan division.

Competition

Overall, Peoples Bank operates in a highly competitive environment with many competing institutions. According to June 30, 2023, FDIC deposit data, 161 financial institutions operate 2,263 branches within the AA. Of these institutions, Peoples Bank ranked 35th with 0.3 percent of the deposit market share. The top three institutions combined represented 47.7 percent of the market share.

Peoples Bank is subject to CRA data collection and reporting requirements for small business loans. Market share data provides a measurement of the level of competition in the AA. Peer data shows financial institutions operating in this area include large national banks and credit cards banks. Aggregate data for 2022, the most recent year for which data is available, reflects that 255 lenders originated or purchased 203,810 small business loans, with the top five lenders originating 68.3 percent of those loans. This indicates a high level of competition.

There is a high level of competition for home mortgage loans from banks, credit unions, and non-depository mortgage lenders in the AA. Peoples Bank is subject to data collection requirements under the Home Mortgage Disclosure Act (HMDA). The 2022 aggregate HMDA data shows that 971 lenders originated or purchased 266,489 home mortgage loans, with the top ten lenders originating 35.1 percent of those loans. Non-bank lenders held most of the market share. Peoples Bank ranked 76th with 0.2 percent of the market.

Community Contact

Examiners contacted a community development organization within the AA to discuss local credit and community development needs and opportunities. The contact stated that Lake County, and more specifically the City of Gary, Indiana, has the highest unemployment level. Rising taxes within Illinois has attracted residents to northwest Indiana, making it a commuter area for those working in the City of Chicago. This shift led to an increase in new home construction in northwestern Indiana. However, the amount of available housing stock remains an issue. Additionally, current homeowners find it difficult to sell their homes due to increased prices for replacement homes, and many do not possess the income to renovate their current homes. The contact also said younger homebuyers, those in their 20's and 30's, have stayed in the area rather than moving away, as in years past, and would benefit from first-time homebuyer financial assistance programs.

The contact stated that while income levels have generally increased, they have not kept pace with rising housing costs. Additionally, the area has experienced a rise in the Hispanic population over the last five years, and Spanish is the primary language spoken within that demographic. The contact stated there is a need for financial literacy education in Spanish. Other specific needs mentioned include small business lending and infrastructure improvements. The contact expressed appreciation for the significant financial support by local banking institutions.

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, small business lending, community services, and financial literacy education are the primary needs of the AA. Affordable housing is particularly important as house prices and rents continually increase. The AA relies heavily on small businesses; thus, loans to support small businesses are also an ongoing credit need. Finally, with 41.2 percent of AA families considered low- or moderate-income, community services for low- and moderate-income individuals remain a significant need.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated June 1, 2021, to the current evaluation dated July 29, 2024. Examiners used the Interagency Large Institution Examination Procedures to evaluate Peoples Bank's CRA performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test. The first Appendix includes a summary of the criteria used to assess the institution's performance for each test. Institutions must receive at least a Low Satisfactory under the Lending Test to receive an overall Satisfactory rating.

Examiners used information provided by the bank, HMDA and CRA loan data, 2020 U.S. Census data, D&B demographic data, and information from community contacts to evaluate the bank's performance.

Activities Reviewed

Examiners determined the bank's major product lines are small business and home mortgage loans, based on its business strategy, the number and volume of loans originated during the evaluation period, and the loan portfolio composition. While the number of small business loans was higher for the evaluation period, the dollar volume of home mortgage loans was higher. Therefore, examiners placed equal weight on home mortgage and small business lending in the overall conclusions. Small farm and consumer lending are not primary foci of the bank; therefore, examiners did not include those products in this evaluation.

Examiners considered small business loan data collected pursuant to CRA requirements for 2021, 2022, and 2023 to evaluate the bank's record of lending to businesses during the evaluation period.

Examiners separately analyzed the institution's performance for 2021 relative to 2015 American Community Survey (ACS) data and 2022-2023 relative to 2020 U.S. Census data. Examiners did not identify any performance trends between the two periods that would materially affect conclusions. Considering this fact and the timing of the Royal Savings Bank acquisition and its impact on the AA delineation, this evaluation presents the institution's performance only in 2022 and 2023 under the AA Concentration, Geographic Distribution, and Borrower Profile criteria.

Peoples Bank originated 551 small business loans totaling approximately \$145.2 million in 2022 and 405 loans totaling approximately \$92.3 million in 2023. Examiners used 2022 CRA small business lending aggregate data as a comparison for the bank's performance because the 2023 aggregate data is not yet available. In general, the aggregate data helps illustrate market demand and lending opportunities. The aggregate data consists of all lenders subject to CRA data collection requirements in the AA.

Examiners also considered all originated home loans reported on the bank's 2021, 2022, and 2023 HMDA Loan Application Registers to evaluate its record of home mortgage lending during the evaluation period. Like the small business lending data, examiners analyzed 2021 performance relative to the 2015 ACS data and 2022-2023 relative to the 2020 U.S. Census data. For the same reasons identified under the small business lending discussion, this evaluation presents the institution's home mortgage lending performance only in 2022 and 2023 under the Geographic Distribution and Borrower Profile Criteria.

Peoples Bank originated 567 home mortgage loans totaling approximately \$215.5 million in 2022 and 306 loans totaling approximately \$100.9 million in 2023. Examiners used 2022 aggregate HMDA data as a comparison for the bank's performance because 2023 aggregate data is not yet available. The aggregate data consists of all reporters subject to HMDA data collection requirements in the AA and includes all lenders such as regional, national, and local banks; credit unions; and non-bank lenders such as mortgage companies.

While examiners presented the number and dollar volume of loans, they emphasized performance by number of loans because it is a better indicator of the number of individuals and businesses served.

Examiners reviewed the institution's delivery systems for retail banking services, including physical branch locations and alternative delivery systems. Examiners evaluated the impact of branch openings and closings on the accessibility of banking delivery systems within the AA. Refer to the Service Test portions of this evaluation for more information on these areas. Additionally, examiners evaluated Peoples Bank's retail banking products and services that are tailored to the needs of low- and moderate-income individuals. Refer to the Service Test portions of this evaluation, as well as the Innovative or Flexible Lending sections of the Lending Test, for more information on these products and services.

Examiners also considered community development loans, qualified investments, and community development services initiated or maintained by the bank since the previous CRA Performance Evaluation dated June 1, 2021.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test rating is High Satisfactory. Peoples Bank's lending activity levels, AA concentration performance, relatively high level of community development lending, and use of flexible and innovative lending practices primarily support this rating.

Lending Activity

Lending levels reflect good responsiveness to AA credit needs. Compared to the previous evaluation period, the institution experienced a decrease in home mortgage and small business lending volumes in 2022 and 2023, primarily due to higher interest rates and the expiration of the Paycheck Protection Program (PPP) (commercial loans) offered during the COVID-19 pandemic.

The bank's loan-to-deposit (LTD) ratio, calculated from Call Report data, averaged 85.0 percent over the 12 quarters since the previous evaluation. The range of LTD ratios varied from a high of 85.0 percent to a low of 66.7 percent. Examiners compared Peoples Bank's average net LTD ratio to three similarly situated banks (SSBs). These SSBs include institutions that operate in the AA, maintain the same lending focus, and have similar asset sizes. The SSBs' average net LTD ratios ranged from 81.0 percent to 92.7 percent, as shown in the following table. Peoples Bank's net LTD exceeded two of the three SSBs during the evaluation period.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/2024 (\$000s)	Average Net LTD Ratio (%)
Peoples Bank	2,072,545	85.0
Marquette Bank	2,106,093	82.4
Republic Bank of Chicago	2,788,935	81.0
Lakeside Bank	2,670,864	92.7

Source: Reports of Condition and Income 6/30/2021 through 3/31/2024

Assessment Area Concentration

The bank made a high percentage of its loans within the AA, by both number and dollar amount, as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	457	80.6	110	19.4	567	182,261	84.6	33,204	15.4	215,465
2023	254	83.0	52	17.0	306	86,931	86.2	13,943	13.8	100,874
Subtotal	711	81.4	162	18.6	873	269,192	85.1	47,147	14.9	316,339
Small Business										
2022	496	90.0	55	10.0	551	130,523	89.9	14,660	10.1	145,183
2023	361	89.1	44	10.9	405	79,515	86.2	12,764	13.8	92,279
Subtotal	857	89.6	99	10.4	956	210,038	88.5	27,424	11.5	237,462
Total	1,568	85.7	261	14.3	1,829	479,230	86.5	74,571	13.5	553,801
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the AA. Adequate performance with respect to home mortgage and small business lending performance supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA. In 2022, Peoples Bank’s lending within low-income tracts exceeded aggregate performance, and lending within moderate-income tracts was roughly consistent with aggregate performance. While there is no aggregate data for comparison in 2023, Peoples Bank’s performance exceeded the percentage of owner-occupied housing units in low- and moderate-income tracts. The following table details the geographic distribution of home mortgage loans.

Geographic Distribution of Home Mortgage Loans							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low							
	2022	5.9	5.5	36	7.9	13,356	7.3
	2023	5.9	--	17	6.7	13,793	15.9
Moderate							
	2022	18.9	17.3	75	16.4	35,024	19.2
	2023	18.9	--	52	20.5	13,066	15.0
Middle							
	2022	36.3	35.4	164	35.9	52,072	28.6
	2023	36.3	--	87	34.3	17,435	20.1
Upper							
	2022	38.6	41.5	171	37.4	75,980	41.7
	2023	38.6	--	96	37.8	41,962	48.3
Not Available							
	2022	0.4	0.3	11	2.4	5,829	3.2
	2023	0.4	--	2	0.8	675	0.8
Totals							
	2022	100.0	100.0	457	100.0	182,261	100.0
	2023	100.0	—	254	100.0	86,931	100.0

*Source: 2020 U.S. Census; Bank Data, 2022 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 adequate penetration throughout the AA. In 2022, Peoples Bank’s lending in low-income tracts exceeded aggregate performance. However, lending within moderate-income tracts trailed aggregate performance. In 2023, the institution’s performance in low-income census tracts, exceeded the percentage of businesses within low-income tracts, but trailed the percentage of businesses within moderate-income tracts. The following table details the geographic distribution of small business loans.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	7.2	5.7	49	9.9	16,971	13.0
2023	7.2	--	31	8.6	8,601	10.8
Moderate						
2022	17.7	17.4	72	14.5	25,706	19.7
2023	17.7	--	39	10.8	9,001	11.3
Middle						
2022	30.8	34.2	174	35.1	50,910	39.0
2023	30.7	--	130	36.0	30,660	38.6
Upper						
2022	43.6	42.2	196	39.5	35,276	27.0
2023	43.8	--	159	44.0	30,493	38.3
Not Available						
2022	0.6	0.5	5	1.0	1,660	1.3
2023	0.6	--	2	0.6	760	1.0
Totals						
2022	100.0	100.0	496	100.0	130,523	100.0
2023	100.0	--	361	100.0	79,515	100.0
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size.

Home Mortgage Loans

The distribution of loans reflects adequate penetration among retail customers of different income levels. The following table illustrates the distribution of lending by borrower income level within the AA. Examiners focused on the bank's performance compared to aggregate data, as it better illustrates demand and lending opportunities. In 2022, performance trailed aggregate data for low- and moderate-income borrowers. In 2023, performance trailed the percentage of low-income families. However, the institution's performance exceeded the percentage of moderate-income families. Approximately, 9.2 percent of families in the AA have income below the poverty level. These families, who are included in the low-income category, likely face difficulty qualifying for and/or servicing debt in amounts necessary to afford homes in the AA. Considering these factors, the bank's performance is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	24.7	9.4	29	6.3	3,612	2.0
2023	24.7	--	26	10.2	2,694	3.1
Moderate						
2022	16.5	20.7	62	13.6	10,658	5.8
2023	16.5	--	52	20.5	7,957	9.2
Middle						
2022	18.5	20.1	86	18.8	19,120	10.5
2023	18.5	--	52	20.5	9,796	11.3
Upper						
2022	40.3	32.3	181	39.6	81,748	44.9
2023	40.3	--	93	36.6	43,673	50.2
Not Available						
2022	0.0	17.5	99	21.7	67,125	36.8
2023	0.0	--	31	12.2	22,811	26.2
Totals						
2022	100.0	100.0	457	100.0	182,261	100.0
2023	100.0	--	254	100.0	86,931	100.0

*Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The distribution of loans reflects adequate penetration among businesses of different sizes. Examiners placed more weight on the bank's performance compared to aggregate data, as it is a better indicator of market demand and lending opportunities. Many smaller businesses rely on alternate methods of financing such as business credit cards and home equity lines of credit. In 2022, the bank's performance exceeded aggregate data. Further, in 2022 and 2023, the institution originated 41.7 and 51.5 percent, respectively, of its small business loans in the AA within the loan size category of \$100,000 or less, which shows the institution actively lends in amounts attractive to the smallest commercial borrowers. The following table illustrates the distribution of lending by borrower GAR level within the AA.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	89.8	53.3	270	54.4	77,515	59.4
2023	90.7	--	175	48.5	39,506	49.7
>\$1,000,000						
2022	3.8	--	223	45.0	52,678	40.4
2023	3.4	--	175	48.5	38,340	48.2
Revenue Not Available						
2022	6.4	--	3	0.6	330	0.2
2023	5.9	--	11	3.0	1,669	2.1
Totals						
2022	100.0	100.0	496	100.0	130,523	100.0
2023	100.0	--	361	100.0	79,515	100.0
<i>Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Innovative or Flexible Lending Practices

Peoples Bank uses innovative and flexible lending practices to serve AA credit needs, particularly those of low- or moderate-income individuals or geographies. The bank originated 302 loans with innovative and flexible features, totaling \$46.9 million since the previous evaluation.

Through the First Step Home Loan program, the bank offers home mortgage loans targeted exclusively to low- and moderate income (LMI) applicants or LMI geographies within its AA. The product offers 100.0 percent financing with no private mortgage insurance (PMI) requirements, income limit requirements, and overall flexible underwriting standards.

Through the Home Possible program, the bank offers flexible loan products that provide for high loan-to-values, reduced PMI, and less stringent qualifying guidelines exclusively to LMI borrowers.

Through the Illinois Housing Development Authority (IHDA), the bank has offered down-payment assistance (DPA), DPA forgiveness, interest-free repayable DPA, and reduced PMI loans.

Peoples Bank offers government guaranteed loans to include Federal Housing Administration (FHA) that support LMI communities by offering DPA options, flexible credit guidelines, and the opportunity for homebuyers to own and manage income properties. The bank also offers SBA loans, specifically, the 504 and 7A programs that provide access to small businesses meeting specific program eligibility requirements.

Through the Affordable Home Improvement Program, the bank assists LMI borrowers with home repairs at reduced interest rates, fees, and relaxed credit guidelines.

Through the City of Chicago Homeownership Incentive Program, the bank is working with the Chicago Department of Redevelopment in offering DPA in East Chicago for those interested in purchasing and becoming homeowners and meet eligibility requirements.

Through the Federal Home Loan Bank Indianapolis (FHLBI) Neighborhood Impact Program (NIP), the bank has assisted eligible homeowners with home improvement loans. Eligible repairs include HVAC, septic systems, water heaters, windows, siding, roofing, gutters and downspouts, caulking, door and weather-stripping, and wall insulation.

Finally, through the Credit and Asset Builder Program, the bank provides loans to LMI borrowers with limited or poor credit to help them establish or rebuild their credit.

The following table details innovative and flexible loan originations by program.

Innovative and Flexible Loan Programs			
Loan Type	Loan Program	#	\$(000s)
Home Mortgage	First Step Home Loan Program	13	1,991
	Freddie Mac Home Possible Program	62	11,080
	IHDA	14	3,211
	FHA	105	22,653
	Affordable Home Improvement Program	1	10
	City of East Chicago Homeownership Incentive Program Loan	3	40
	FHLBI NIP	72	699
	Credit & Asset Builder Loan Program	15	36
Small Business	SBA	17	7,200
Totals		302	46,920
<i>Source: Bank Data</i>			

Peoples Bank also demonstrated flexibility is assisting borrowers impacted by the COVID-19 pandemic in 2021. In addition to the SBA loans noted in the preceding table, the bank originated 510 loans totaling \$43.8 million through the SBA's PPP, which the federal government established to provide emergency assistance to businesses so that they could retain or rehire employees in the wake of the COVID-19 pandemic. The SBA provided loan forgiveness to PPP borrowers who used loan proceeds for eligible expenses and met employee retention criteria.

Additionally, the bank assisted struggling homeowners with hardships by partnering with the State of Indiana and the State of Illinois to offer the Housing Assistance Fund and received a combined total of \$303,000 in assistance for borrowers and prevented foreclosure for 26 families.

Furthermore, the bank offers a loan modification program as well as a payment deferral program with flexible eligibility, and at no cost to the borrower apart from third-party incurred fees, where applicable. Since the previous evaluation, the bank prevented foreclosure for 38 families through the modification program.

Community Development Loans

Peoples Bank made a relatively high level of community development loans. During the evaluation period, the bank originated 137 community development loans totaling \$106.7 million. Most community development loans were for affordable housing, an area identified as an essential need in the AA. Other community development loans included community services and revitalization or stabilization of low- and moderate-income areas. This level of lending represents a significant increase from the previous evaluation period, during which the bank originated 31 community development loans totaling \$34.6 million. Peoples Bank’s level of community development lending represented approximately 7.0 percent of average net loans and 5.0 percent of average total assets throughout the evaluation period.

Examiners compared Peoples Bank’s performance with three SSBs that operate in the AA. The ratios of community development loans to average total assets for the SSBs ranged from a low of 1.2 percent to a high of 6.1 percent. Peoples Bank’s ratio of 5.0 percent was greater than two of the SSBs and lower than one SSB. The following table details the bank’s community development lending.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021	26	16,793	1	1,000	0	--	0	--	27	17,793
2022	68	41,122	3	11,443	0	--	1	5,450	72	58,015
2023	26	9,811	1	2,000	0	--	1	10,400	28	22,211
YTD 2024*	2	155	1	300	0	--	0	--	3	455
Total in AA	122	67,881	6	14,743	0	--	2	15,850	130	98,474
Regional Area	7	8,246	0	--	0	--	0	--	7	8,246
Total	129	76,127	6	14,743	0	--	2	15,850	137	106,720

*Source: Bank Data, *01/01/2024 - 6/30/2024*

Notable examples of the institution’s community development loans in the AA include:

- \$2.9 million in 2021 to finance the purchase of a 98-unit apartment complex within a moderate-income census tract with rental rates that meet affordable housing standards in Cook County.
- \$11.4 million in multiple loans in 2022 to a company that provides affordable healthcare and community services in low- and moderate-income geographies and/or to uninsured or underinsured people in Porter and Lake Counties in Indiana.
- \$10.4 million in 2023 to finance the revitalization and stabilization of a low-income area within the City of Hammond, Indiana. The loan financed a 100-unit apartment complex with rental rates that meet affordable housing standards in Lake County. The loan also provided for retail space and job creation, as well as revitalization of a historic building.

INVESTMENT TEST

The Investment Test rating is Low Satisfactory. The bank's adequate level of qualified investments and responsiveness to credit and community development needs, as well as the occasional use of innovative or complex investments, supports this rating.

Investment and Grant Activity

The institution made an adequate level of community development investments and grants, although rarely in a leadership position. Peoples Bank's qualified investments, grants, and donations during the evaluation period totaled \$13.2 million, all of which were located within the AA. This figure includes two prior period investments with total outstanding balances of \$1.3 million. The prior period investments support community services and economic development efforts in the AA. The bank also made five new investments totaling \$11.3 million and 262 qualified donations and grants totaling \$576,000. The qualified investments, donations, and grants were for affordable housing, community services, economic development, and revitalization and stabilization of low- and moderate-income individuals or areas. Total investments represent 0.6 percent of average total assets and 3.7 percent of average total securities.

Examiners compared the bank's investment activity to that of three SSBs within the AA. The SSBs had total qualified investments to average total asset ratios ranging from a low of 0.4 percent to a high of 2.2 percent. People's Bank's ratio of 0.6 percent was greater than one SSBs and lower than two SSBs. The following table details the qualified investments and donations in the AA by year and purpose.

Qualified Investments and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	--	1	347	1	1,000	0	--	2	1,347
2021	0	--	0	--	0	--	0	--	0	--
2022	2	2,517	0	--	0	--	0	--	2	2,517
2023	0	--	0	--	0	--	1	1,890	1	1,890
2024 YTD	0	--	1	4,950	0	--	1	1,945	2	6,895
Subtotal	2	2,517	2	5,297	1	1,000	2	3,835	7	12,649
Qualified Donations and Grants	0	--	249	533	11	34	2	9	262	576
Total	2	2,517	251	5,830	12	1,034	4	3,844	269	13,225
<i>Source: Bank Data</i>										

Notable examples of the bank’s qualified investments in this AA include:

- \$4.9 million, two-year bond to finance the construction of a new fire station in Hammond, Indiana which primarily services low- and moderate-income residents.
- \$1.8 million bond for water system upgrades serving low- and moderate-income residents.
- \$1.7 million investment to support transitional housing for homeless women in low- and moderate-income areas.
- The bank facilitated the sale of a former branch office and donated an adjacent lot for use by a health clinic that helps low-income residents and offers free public services and resources.

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and community development needs. Examiners identified affordable housing as a need in the AA, and the bank’s investments supported affordable housing initiatives.

Community Development Initiatives

The institution occasionally uses innovative or complex investments to support community development initiatives. Peoples Bank provided several grants that support affordable housing initiatives with downpayment assistance.

SERVICE TEST

The Service Test rating is High Satisfactory. Accessibility of delivery systems and the high level of community development services primarily support this rating.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the AA. Peoples Bank's alternative delivery systems also promote the accessibility of services to low- and moderate-income individuals. These alternative delivery systems include 30 proprietary ATMs, online banking, a mobile banking app, mobile check deposit, debit cards, and telephone banking services. The following sections provide more information on other services provided.

Allpoint ATM Network – In addition to the institution's proprietary ATMs, Peoples Bank continues to be a member of the Allpoint ATM Network. This network offers access to over 55,000 fee-free ATMs nationwide. Because it is fee-free, it helps low- and moderate-income individuals, providing them better access to their money at no additional cost.

Interest On Lawyers Trust Accounts (IOLTA) – These accounts offer a way to raise money for legal services provided to those that are low-income and cannot afford to pay out of pocket. During the evaluation period, the bank held IOLTA account funds for the Indiana and Illinois Bar Associations. Total funds held during the evaluation period equaled \$265,000.

Social Media – Peoples Bank maintains a social media presence on LinkedIn, Facebook, Instagram, TikTok, and YouTube. The bank uses social media to distribute information related to financial literacy and education, community events, and other topics.

Other Services – The bank offers direct deposit, wire transfers, treasury management, investments, and wealth management.

Changes in Branch Locations

To the extent changes have occurred, the institution's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. As noted earlier, the bank closed several branches within Indiana and Illinois during the evaluation period; however, only two were in low-income census tracts. The closures did not disproportionately affect low- and moderate-income areas. Additionally, the bank has another location that is only two miles from one of the closed branch locations within a low-income area. Furthermore, the bank acquired two branch office locations in low-income areas and two branch office locations in moderate-income areas since the previous evaluation.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies and individuals. Services and business hours are generally consistent across most office locations in the AA, and nearly all offices offer Saturday hours and drive-up services. Any variations in services or hours are minor and do not predominantly affect low- and moderate-income areas.

Community Development Services

Peoples Bank provided a relatively high level of community development services. Throughout the evaluation period, institution employees provided 1,062 hours of financial expertise or technical assistance to community development-related organizations located in the AA. Among the three categories of community development activities, the bank’s record of community development services most clearly demonstrates its performance in serving the needs of the AA. Most of the community development services during this evaluation period supported the provision of various community services for low- and moderate-income individuals.

Peoples Bank’s community development service levels exceeded each of the SSBs. Peoples Bank provided an average of 265 service hours per year, while the next highest SSB provided approximately 110 service hours per year. Although services are more difficult to quantify than loans and investments, the qualitative strength of Peoples Bank’s services clearly illustrates responsiveness to the community development needs of the AA, particularly in the area of promoting financial literacy. The following table details the institution’s community development service hours by year and community development category.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
2021	--	243	--	2	245
2022	--	381	2	--	383
2023	--	329	--	--	329
2024 YTD	--	105	--	--	105
Total	--	1,058	2	2	1,062
<i>Source: Bank Records</i>					

Notable examples of the bank’s community development services include:

- Numerous employees provide financial literacy training through various organizations that primarily serve low- and moderate-income individuals. These organizations include low- and moderate-income housing residents and senior citizen groups as well as schools where majorities of students qualify for free or reduced-price meals.
- Numerous employees participate in the Volunteer Income Tax Assistance program, which offers free tax help to low- and moderate-income individuals requiring assistance with the preparation of tax returns. Bank personnel provide direct assistance to low- and moderate-income persons through the free tax preparation sessions. Bank employees also provide general financial literacy information to low- and moderate-income individuals attending the events.

- Several employees provide technical expertise to the Educate Create Innovate Entrepreneur Relationships Foundation, a non-profit organization that provides services and facilitates scholarships to students from low- and moderate-income families.

In addition to the examples previously mentioned, the bank also provided the following services. While these services are not quantified in the previous table, they are innovative and directly responsive to community needs.

Bank On – Peoples Bank participates in the Bank On Northwest Indiana program. The Bank On program is a local effort comprised of governmental agencies, financial institutions, and community organizations to strengthen the financial future of unbanked and underbanked persons. The Bank On Program strives to reach low- and moderate-income persons and create an improved financial future.

Individual Development Accounts – In collaboration with the Indiana Housing & Community Development Authority (IHCDA), the bank offers matched savings accounts that are funded by the IHCDA and managed by the approved member bank that is available to the public via the IHCDA. The account helps low- and moderate-income individuals achieve their goals through savings and financial education.

The Resurrection Project – Bank mortgage loan officers participate as lending experts for this Department of Housing and Urban Development-approved project offering free homebuyer certification classes to low-income residents.

Finally, Peoples Bank maintains office locations in low- and moderate-income census tracts. These offices are in Cook and Lake Counties. The community contact noted the need for banking services in low- and moderate-income portions of Lake County specifically. The institution's branch offices in these locations help meet the need for banking services and small business credits.

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. Therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and

- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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.