

# **PUBLIC DISCLOSURE**

August 14, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

DeMotte State Bank  
RSSD# 539340

210 South Halleck Street  
DeMotte, Indiana 46310

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

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

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## INSTITUTION'S CRA RATING

**DeMotte State Bank is rated: Satisfactory**

**The Lending Test is rated: Satisfactory**

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

DeMotte State Bank ("DSB") is rated satisfactory and is meeting the credit needs of its community based on an analysis of the lending and community development activities within its assessment area. The bank's loan-to-deposit ratio is reasonable considering the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans are originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and loan distribution reflects reasonable penetration among borrowers of different income levels, including low- and moderate-income, and businesses and farms of different revenue sizes. Neither DeMotte State Bank nor this Reserve Bank has received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

The bank's community development performance demonstrates adequate responsiveness to the needs of its assessment area through community development loans, donations, and services. This performance is appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

### SCOPE OF EXAMINATION

DSB's CRA performance was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examination Council (FFIEC). Performance was evaluated in the context of information about the institution and its assessment areas, including the bank's asset size, financial condition, competition, and the economic and demographic characteristics.

The bank maintains two delineated assessment areas: Gary, Indiana Metropolitan Division #23844 (Gary, Indiana MD) and Non-Metropolitan Statistical Area Indiana (Non-MSA Indiana). A full scope evaluation was conducted in the Gary, Indiana MD based on several factors, including deposit market share, branch concentration, and volume of lending. The Non-MSA Indiana assessment area received a limited review due to the bank's limited presence in this area. This limited review assessment area was evaluated for consistency with the bank's performance in its full review assessment area, although it did not affect the overall CRA rating.

Loan products reviewed include Home Mortgage Disclosure Act (HMDA) reportable loans and a sample of small business and small farm loans. These products are considered the bank's primary business lines based on volume of loan originations by number and dollar amount. The bank's level of community development activity was also evaluated.

Performance within the designated assessment areas was evaluated using intermediate-small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 13 quarter average loan-to-deposit ratio ending March 31, 2023 was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2021 to December 31, 2022, and a sample of small business and small farm loans originated from January 1, 2022 to December 31, 2022 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated within the assessment area from January 1, 2021 to December 31, 2022 and a sample of small business and small farm loans originated within the assessment area from January 1, 2022 to December 31, 2022 were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – The bank’s HMDA-reportable loans originated within the assessment area from January 1, 2021 to December 31, 2022 and a sample of small business and small farm loans originated from January 1, 2022 to December 31, 2022 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, donations, and services, from August 4, 2020 through August 14, 2023, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. The following types of organizations were contacted: economic development and affordable housing.

## DESCRIPTION OF INSTITUTION

DSB is a subsidiary of DeMotte Bancorp, a one-bank holding company headquartered in DeMotte, Indiana. The bank maintains its main office in DeMotte, Indiana, along with ten branch locations (eight full-service and two limited-service) and 13 cash-only automated teller machines (ATM) in Jasper, Newton, Lake, Porter, and Starke Counties.

According to the Uniform Bank Performance Report (UBPR), the bank reported total assets of \$530.1 million as of March 31, 2023. DSB is primarily a commercial, agricultural, and residential real estate lender, as such loans comprised 39.4 percent, 33.3 percent, and 23.6 percent of the loan portfolio, respectively. The bank offers a full range of traditional deposit and credit products to meet the banking needs of its assessment areas. The bank offers standard, non-complex, commercial, agricultural, mortgage and consumer credit products to meet the financial needs of businesses, farms, consumers, and other entities in the assessment area.

According to the June 30, 2022, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, DeMotte State Bank ranked 11th out of 27 FDIC-insured institutions operating within Jasper, Lake, Newton, Porter, and Starke Counties. The bank held roughly \$473.7 million in deposits, representing 2.4 percent of the total deposit market share in the five counties. Based on the deposit market share, the largest competitor in the assessment area is Centier Bank of Merrillville, Indiana, representing 22.5 percent of the total deposit market share.

Details of the allocation of the bank's loan portfolio are provided in the following table.

Composition of Loan Portfolio as of March 31, 2023		
Type	Dollar Volume (\$ in 000s)	% of Portfolio
Commercial	89,890	39.4
Agriculture	76,063	33.3
Residential Real Estate	53,924	23.6
Consumer	8,196	3.6
Other	138	0.1
Total	1,536,915	100.0

*Note: Percentages may not total 100.0 percent due to rounding.*

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

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on August 3, 2020.

## DESCRIPTION OF ASSESSMENT AREA

DSB is an intrastate institution that operates throughout the northern part of Indiana, including Newton, Jasper, and Starke Counties in their entireties and partial Lake and Porter Counties. The bank operates within two contiguous assessment areas, which includes a portion of the Gary, Indiana MD, and Non-MSA Indiana. The combined assessment area is comprised of 44 census tracts, consisting of five moderate-income, 24 middle-income, and 15 upper-income census tracts. There are no low-income census tracts in the bank’s assessment area.

The actual geographic configuration of the combined assessment area has not changed since the previous evaluation of August 3, 2020; however, the 2020 decennial census and 2016-2020 American Community Survey (ACS) resulted in an increase from the previous count of 37 census tracts to 44 census tracts. The table below details census tract designation changes due to the decennial census and ACS.

<b>Census Tract Designation Changes</b>			
<b>Tract Income Designation</b>	<b>2015 Designations (#)</b>	<b>2020 Designations (#)</b>	<b>Net Change (#)</b>
<b>Low</b>	0	0	0
<b>Moderate</b>	2	5	+3
<b>Middle</b>	25	24	-1
<b>Upper</b>	10	15	+5
<b>Total</b>	37	44	+7

*Source: U. S. Census Bureau: Decennial Census: 2020 & American Community Survey Data: 2015*

The bank’s moderate-income census tracts are home to 3,623 families, representing 7.6 percent of all families in the assessment area. A total of 72,118 total housing units are located in the combined assessment area, of which 6,662 (9.2 percent) are located in moderate-income census tracts. Within the moderate-income census tracts 7.7 percent are owner-occupied. This indicates there are sufficient opportunities for home ownership within these tracts.

A total of 7,229 businesses are located in the combined assessment area, of which 900 (12.4 percent) are located moderate-income census tracts. Businesses with gross annual revenues less than \$1 million represent 92.5 percent of total businesses, evidencing numerous opportunities for small business lending in the combined assessment area.

A total of 546 farms are located in the combined assessment area, of which 26 (4.8 percent) are located moderate-income census tracts. Farms with gross annual revenues less than \$1 million represent 96.0 percent of total farms, evidencing numerous opportunities for small farm lending in the combined assessment area. Additional assessment area demographic information is provided in the following table.

2022 Combined Assessment Area AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	7,118	14.8
Moderate	5	11.4	3,623	7.6	578	16.0	7,621	15.9
Middle	24	54.5	25,574	53.3	1,546	6.0	11,218	23.4
Upper	15	34.1	18,778	39.1	514	2.7	22,018	45.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>44</b>	<b>100.0</b>	<b>47,975</b>	<b>100.0</b>	<b>2,638</b>	<b>5.5</b>	<b>47,975</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied		Rental		Vacant		
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	6,662	4,273	7.7	64.1	1,467	22.0	922	13.8
Middle	40,426	29,555	53.5	73.1	6,418	15.9	4,453	11.0
Upper	25,030	21,392	38.7	85.5	2,674	10.7	964	3.9
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>72,118</b>	<b>55,220</b>	<b>100.0</b>	<b>76.6</b>	<b>10,559</b>	<b>14.6</b>	<b>6,339</b>	<b>8.8</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	900	12.4	810	12.1	76	18.1	14	11.8
Middle	3,388	46.9	3,154	47.2	171	40.6	63	52.9
Upper	2,941	40.7	2,725	40.7	174	41.3	42	35.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>7,229</b>	<b>100.0</b>	<b>6,689</b>	<b>100.0</b>	<b>421</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.5</b>		<b>5.8</b>		<b>1.6</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	26	4.8	26	5.0	0	0.0	0	0.0
Middle	388	71.1	370	70.6	18	81.8	0	0.0
Upper	132	24.2	128	24.4	4	18.2	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>546</b>	<b>100.0</b>	<b>524</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>96.0</b>		<b>4.0</b>		<b>0.0</b>
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

DSB's performance relative to the lending test is Satisfactory. Overall, the bank is meeting the credit needs of its assessment areas based on an analysis of the bank's lending activities. The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of HMDA-reportable, small business, and small farm loans were originated in the assessment area. Further, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and lending activities reflect reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses and farms of different revenue sizes.

#### Loan-to-Deposit Ratio

DSB had a reasonable loan-to-deposit ratio (considering seasonal variations) given the bank's size, financial condition, and the credit needs of its assessment areas. As of March 31, 2023, the bank's 13-quarter average LTD was 54.9 percent. The following table compares the bank's LTD ratio to its local competitors. Similarly situated competitors were selected based on their asset size, branching locations, and market share within the bank's assessment area. The LTD ratio has declined since the previous examination when the bank had a 13-quarter average of 68.9 percent. Bank management attributed the decline due to the maturity of Paycheck Protection Program (PPP) loans, decreased lending opportunities in the area, an influx of deposits, and a renewed focus on liquidity.

Comparative Loan-to-Deposit Ratios as of March 31, 2023	
Institution	13-Quarter Average (%)
DeMotte State Bank	54.9
Peer Avg – Local	73.4
American Community Bank	87.9
Community State Bank	85.3
Kentland State Bank	58.6
First State Bank of Porter	57.2
Alliance Bank	54.2

#### Assessment Area Concentration

DSB originated a majority of its loans in the bank's assessment area, indicating that the bank is serving the credit needs of its community. The bank originated 85.0 percent of total loans by number and 83.0 percent by dollar amount inside the assessment area during the evaluation period. The origination rate of HMDA-reportable loans inside the assessment area was 84.4



percent, which was similar to the origination rate of small business and small farm loans at 84.6 percent and 87.9 percent, respectively. Ultimately, the percentage of HMDA-reportable, small business, and small farm originations within the assessment area indicates the bank is actively serving the credit needs of the community.

The following table summarizes DSB’s lending inside and outside its assessment areas for HMDA-reportable loans from January 1, 2021 to December 31, 2022 and a sample of small business and small farm loans from January 1, 2022 to December 31, 2022.

<b>Lending Inside and Outside the Assessment Area</b>								
<b>Loan Type</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Home Improvement	24	92.3	1,453	95.0	2	7.7	76	5.0
Home Purchase - Conventional	53	84.1	7,423	79.9	10	15.9	1,864	20.1
Multi-Family Housing	2	66.7	1,194	79.2	1	33.3	314	20.8
Refinancing	99	83.2	15,577	86.3	20	16.8	2,480	13.7
<b>Total HMDA related</b>	<b>178</b>	<b>84.4</b>	<b>25,647</b>	<b>84.4</b>	<b>33</b>	<b>15.6</b>	<b>4,734</b>	<b>15.6</b>
<b>Small Business related</b>	<b>88</b>	<b>84.6</b>	<b>8,808</b>	<b>74.2</b>	<b>16</b>	<b>15.4</b>	<b>3,065</b>	<b>25.8</b>
<b>Small Farm related</b>	<b>58</b>	<b>87.9</b>	<b>10,575</b>	<b>88.3</b>	<b>8</b>	<b>12.1</b>	<b>1,405</b>	<b>11.7</b>
<b>Total Loans</b>	<b>324</b>	<b>85.0</b>	<b>45,030</b>	<b>83.0</b>	<b>57</b>	<b>15.0</b>	<b>9,205</b>	<b>17.0</b>

*Note: Percentages may not total 100.0 percent due to rounding.*

### **Geographic and Borrower Distribution**

The geographic distribution of HMDA-reportable, small business, and small farm loans reflects reasonable dispersion throughout the assessment areas. The bank’s distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including moderate-income individuals) and businesses and farms of different sizes is reasonable given the demographics of the bank’s assessment areas. Additional information with respect to the bank’s geographic and borrower distribution is found within the full review assessment area section for the Gary, Indiana MD.

### **Response to Complaints**

Neither DeMotte State Bank nor this Reserve Bank have received any CRA-related complaints since the previous examination.

## COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory. The bank's community development performance demonstrates adequate responsiveness to the needs of the assessment area through community development loans, donations, and services, as appropriate, considering the bank's capacity and the availability of such opportunities for community development in the bank's assessment area.

### **Lending, Investment, and Services Activities**

During the evaluation period, the bank did not originate any qualified investments. Although the bank originated no investments, loans and service activities were sufficient considering the bank's capacity and the availability of such opportunities within the bank's assessment area.

DeMotte State Bank demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, donations, and services. During the evaluation period, the bank originated 10 community development loans totaling approximately \$1.67 million towards economic development, community services, and revitalization/stabilization within its assessment area. In addition, the bank participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) in response to the COVID-19 pandemic. The bank originated 129 qualified PPP loans, totaling approximately \$3.2 million during the evaluation period. As PPP loans were in direct response to the COVID-19 pandemic and are specifically designed to benefit small businesses and retain jobs during the pandemic, these loans are considered responsive and flexible. This represents an increase in total loans from the previous examination where the bank submitted seven qualified community development loans for \$2.4 million.

During the evaluation period the bank provided 52 qualified donations totaling \$26,528 to organizations which primarily focus on community services tailored to meet the needs of low- and moderate-income individuals and households in the bank's assessment areas. The bank also made qualified donations to organizations with the purpose of providing affordable housing and economic development for low- and moderate-income individuals within its assessment area. The dollar amount of qualified community service donations during the current evaluation period represents an 85.8 percent increase from the previous evaluation period of \$14,279.

During the evaluation period, bank staff provided approximately 307 hours of community development services. Of the total number of service hours, approximately 197 hours were dedicated to organizations with a community service focus and 110 service hours were dedicated to organizations with an economic development focus.

Additional information with respect to the bank's community development activities is found within the individual assessment area discussions.

Community Development Activities								
August 4, 2020 – August 14, 2023								
Assessment Area	Loans		Investments		Donations		Services	
	#	\$	#	\$	#	\$	#	Hours
<b>Full Review</b>								
Gary, IN MD #23844	9	849,600	0	0	38	21,928	2	103
<b>Limited Review</b>								
Non-MSA Indiana	1	817,000	0	0	14	4,600	2	204
<b>Total Qualified</b>	<b>10</b>	<b>1,666,610</b>	<b>0</b>	<b>0</b>	<b>52</b>	<b>26,528</b>	<b>4</b>	<b>307</b>

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

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

## GARY, INDIANA MD #23844 – FULL REVIEW

### SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Gary, Indiana MD assessment area. The scope is consistent with the scope of examination described within the institution summary. For further information, refer to the "Scope of Examination" section for details.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN GARY, INDIANA MD

The bank's Gary, Indiana MD assessment area consists of 37 census tracts comprised of Jasper and Newton Counties in their entirety and a contiguous portion of Lake and Porter Counties. Based on 2022 FFIEC Census Data, the census tract composition includes three moderate-income, 19 middle-income, and 15 upper-income census tracts. There are no low-income census tracts or distressed or underserved middle-income geographies as designated by the FFIEC within the bank's assessment area. While the assessment area has not changed geographically, there were seven census tracts added since the prior evaluation due to decennial census tract changes.

Within the assessment area, the bank operates a main office with an ATM, seven full-service branches with ATMs, two limited-service branches with ATMs, and two standalone cash-only ATMs, all within middle-income census tracts. Additionally, the bank maintains one full-service branch with an ATM located in an upper-income census tract. Since the previous examination, the bank closed a full-service branch on December 31, 2020 located in Kouts, Indiana in a middle-income census tract but retained the ATM located at the same address.

According to the June 30, 2022 FDIC Market Share Report, DSB ranked 11<sup>th</sup> of 24 FDIC-insured financial institutions operating in Jasper, Lake, Newton, and Porter Counties. The bank held \$451.6 million in deposits, representing 2.3 percent of the total deposit market share. The top three leaders in market share include Centier Bank (23.0 percent), JP Morgan Chase, N.A. (21.9 percent), and Old National Bank (7.1 percent). The 24 banks competing for deposits and loans including DSB have 200 total offices in the assessment area.

In 2022, DSB ranked 23<sup>rd</sup> among 317 HMDA-reporters, originating 99 HMDA-reportable loans in the assessment area. In comparison, the first ranked institution, Centier Bank, originated 516 HMDA loans, and second ranked Rocket Mortgage, LLC originated 274 HMDA loans.

Additional assessment area demographic information is provided in the following table. Please refer to Appendix B for 2021 demographic information.

2022 Gary, IN MD 23844 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	5,775	13.7
Moderate	3	8.1	1,932	4.6	235	12.2	6,409	15.2
Middle	19	51.4	21,493	50.9	1,207	5.6	9,997	23.7
Upper	15	40.5	18,778	44.5	514	2.7	20,022	47.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>37</b>	<b>100.0</b>	<b>42,203</b>	<b>100.0</b>	<b>1,956</b>	<b>4.6</b>	<b>42,203</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	3,377	2,466	5.1	73.0	744	22.0	167	4.9
Middle	32,526	24,404	50.6	75.0	5,609	17.2	2,513	7.7
Upper	25,030	21,392	44.3	85.5	2,674	10.7	964	3.9
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>60,933</b>	<b>48,262</b>	<b>100.0</b>	<b>79.2</b>	<b>9,027</b>	<b>14.8</b>	<b>3,644</b>	<b>6.0</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	606	9.3	535	8.9	61	15.9	10	9.8
Middle	2,970	45.6	2,771	45.9	149	38.8	50	49.0
Upper	2,941	45.1	2,725	45.2	174	45.3	42	41.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>6,517</b>	<b>100.0</b>	<b>6,031</b>	<b>100.0</b>	<b>384</b>	<b>100.0</b>	<b>102</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.5</b>		<b>5.9</b>		<b>1.6</b>
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	18	3.9	18	4.0	0	0.0	0	0.0
Middle	317	67.9	300	67.3	17	81.0	0	0.0
Upper	132	28.3	128	28.7	4	19.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>467</b>	<b>100.0</b>	<b>446</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>95.5</b>		<b>4.5</b>		<b>0.0</b>
Source: 2022 FFIEC Census Data								
2022 Dun & Bradstreet Data								
2016-2020 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

## Population Characteristics

The following table presents the population trends for the counties that make up the assessment area, the entire Gary, Indiana MD, as well as the state of Indiana from 2015 to 2020. According to the 2020 U.S. Census Bureau demographic data, the assessment area’s population is 168,634. The population of both Jasper and Newton Counties declined slightly by 1.6 percent, while the population of Lake County experienced growth of 1.4 percent. Porter County experienced the largest population growth of 4.0 percent.

According to a community representative, Lake and Porter County have experienced population growth due to an exodus of Illinois residents seeking to take advantage of Indiana’s relatively lower state income tax rates. There has been an increase in home construction and population movement along the route 80 and 94 highways and surrounding areas. Due to Lake and Porter Counties’ proximity to Chicago, they have experienced the highest rate of growth in the assessment area as many people continue to work in the greater Chicago metropolitan area but have migrated out of Illinois due to the lower cost of living. A community representative noted that market rate prices for single-family housing in Lake County have outpaced inflation and available lots to purchase have become rare. Consequently, many first-time home buyers are migrating East to Porter County due to its relative affordability in comparison to Lake County.

According to a community representative, a major factor in Jasper and Newton Counties’ population declines is due to its inability to attract new residents and its difficulty in retaining younger populations who move away for educational advancement and employment opportunities. A community representative further noted that Jasper and Newton Counties have suffered from a lack of local municipal infrastructure upgrades needed to make these counties a more attractive destination to not only work, but also live.

Population Change			
Area	2015 Population	2020 Population	Percent Change
Jasper County	33,448	32,918	-1.6%
Lake County	491,596	498,700	1.4%
Newton County	14,057	13,830	-1.6%
Porter County	166,570	173,215	4.0%
Gary, Indiana MD	705,671	718,663	1.8%
State of Indiana	6,568,645	6,785,528	3.3%

*Source: 2011-2015 U.S. Census Bureau American Community Survey  
2020 U.S. Census Bureau Decennial Census*

## Income Characteristics

According to the 2022 FFIEC Census Data, the assessment area is comprised of 42,203 families, of which 13.7 percent are designated as low-income, 15.2 percent are moderate-income, 23.7 percent

are middle-income, and 47.4 percent are upper-income. Additionally, 4.6 percent of families residing within the assessment area live below the poverty line, which is below the state of Indiana’s poverty rate of 12.5 percent.

The following table compares the median family income (MFI) for the counties that makeup the assessment area, the entire Gary, Indiana MD, as well as the state of Indiana from 2015 to 2020. According to the 2016-2020 ACS, the MFI in Lake and Newton Counties is \$71,632 and \$67,048, respectively, while the MFI in Porter County is notably higher at \$88,159. The MFI in Jasper County of \$73,785, is comparative to the MFI in the state of Indiana at \$73,265. All counties which makeup the assessment area experienced an increase in MFI between 5.5 percent and 8.2 percent, with the exception of Newton County, which grew by 17.3 percent between 2015 and 2020.

A community representative noted that MFI in the assessment area grew during the COVID-19 pandemic due to a surge in manufacturing, the success of PPP loans, and stimulus checks, which helped the economy from falling into a recession. A community representative stated that existing businesses are having trouble finding available workers for entry-level positions and that many recent high school graduates lack the professional skills required by employers to transition to the workplace.

<b>Median Family Income Change</b>			
<b>Area</b>	<b>2015 Median Family Income</b>	<b>2020 Median Family Income</b>	<b>Percent Change</b>
Jasper County	\$69,499	\$73,785	6.2%
Lake County	\$66,184	\$71,632	8.2%
Newton County	\$57,156	\$67,048	17.3%
Porter County	\$83,567	\$88,159	5.5%
Gary, Indiana MD	\$70,007	\$75,625	8.0%
State of Indiana	\$66,777	\$73,265	9.7%
<i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

### **Housing Characteristics**

There are a total of 60,933 housing units in the assessment area. The majority of housing units are owner-occupied at 79.2 percent, whereas rental units comprise 14.8 percent of total units. Within the assessment area, 6.0 percent of housing units are vacant, which is lower than the comparable percentage of vacant units within the state of Indiana at 10.4 percent.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix D – Glossary. A higher ratio generally suggests more affordable housing opportunities. Based on 2016-2020 ACS data, the affordability ratio for

the assessment area was 39.5, which is comparable to the state of Indiana at 39.1. As such, the affordability ratios suggest that housing affordability within the assessment area is similar to the state as a whole. Of the geographies within the bank's assessment area, Newton County is the most affordable at 49.9, followed by Jasper County at 39.1, Porter County at 37.3 and Lake County as the least affordable at 36.9.

The following table presents housing cost burden in the counties that comprise the assessment area, the entire Gary, Indiana MD, as well as the state of Indiana. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the following table, low-income individuals are generally impacted at a higher rate than moderate-income individuals as both renters and owners. Of the four counties that comprise the assessment area, Jasper County has the highest proportion of low-income renters that meet the cost burden criteria at 77.1 percent; however, it has the lowest percentage of low-income owners that meet the criteria at 50.6 percent. In Newton County, 25.1 percent of all renters and 18.3 percent of all owners meet the cost burden criteria. In Porter County, 42.1 percent of all renters and 16.1 percent of all owners met the cost burden criteria. The percentage of renters and owners that meet the cost burden criteria in Lake County is 41.5 percent and 18.1 percent, respectively. A community representative noted that there is a definite need for more affordable housing in Northwest Indiana, especially for low- and moderate-income individuals who struggle to come up with the necessary down payments and closing costs related to home purchases.

The proportion of renters that meet the cost burden criteria in the state of Indiana is 41.0 percent, which is consistent with the percentage of renters in Porter and Lake Counties that meet the cost burden criteria. The proportion of owners that meet the cost burden criteria in the state of Indiana is 15.1 percent, which is lower than all the counties that make up the assessment area, with the exception of Jasper County. A community representative stated that prices for single family homes in Lake County have benefited from Illinois residents moving to Indiana's lower tax climate. The community representative further noted that rising home prices have limited the ability of low- and moderate-income individuals from making the shift to homeownership as they have been priced out of the starter home market.



Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Jasper County	77.1%	15.6%	37.6%	50.6%	26.3%	13.9%
Lake County	68.4%	30.9%	41.5%	60.9%	27.7%	18.1%
Newton County	57.4%	9.4%	25.1%	60.3%	16.2%	18.3%
Porter County	76.8%	40.6%	42.1%	65.5%	34.6%	16.1%
Gary, Indiana MD	70.1%	31.8%	41.2%	61.4%	28.8%	17.4%
State of Indiana	73.3%	26.8%	41.0%	57.2%	22.9%	15.1%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy</i>						

### Employment Conditions

The following table presents the unemployment trends for the counties that make up the assessment area, the Gary, Indiana MD in its entirety, and the state of Indiana from 2017 to 2021. Unemployment trends across all areas remained stable until 2020, when overall rates increased. The assessment area's unemployment rates have started to return to pre-pandemic levels. In 2021, the unemployment rates in Jasper, Lake, Newton, and Porter Counties were 3.5 percent, 6.1 percent, 3.8 percent and 3.9 percent, respectively. Lake County had the highest unemployment rate in the assessment area, while the unemployment rates in Jasper County, Newton County and Porter County were more closely aligned with the unemployment rate for the state of Indiana at 3.6 percent. Historically, Lake County has experienced higher unemployment rates when compared to the other counties in the assessment area.

According to a community representative, employment in the more rural areas of the assessment area, namely Jasper and Newton Counties saw fewer job losses due to the COVID-19 pandemic as that of Lake and Porter Counties. A representative stated that many residents of Lake and Porter Counties work in the Chicago metropolitan area and are heavily dependent on the city for employment opportunities. A community representative further noted that entry level manufacturing jobs remain unfilled as employers struggle to find workers for available positions.

Unemployment Rates (%)					
Area	2017	2018	2019	2020	2021
Jasper County	4.3%	3.9%	3.7%	7.1%	3.5%
Lake County	5.1%	4.9%	4.9%	10.4%	6.1%
Newton County	4.8%	4.3%	4.1%	7.0%	3.8%
Porter County	4.0%	3.8%	3.7%	8.2%	3.9%
Gary, Indiana MD	4.7%	4.5%	4.5%	9.6%	5.3%
State of Indiana	3.5%	3.4%	3.3%	7.2%	3.6%
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

### Industry Characteristics

According to the U.S. Bureau of Labor Statistics, the assessment area contains a diverse employment base and is heavily dependent on the healthcare, retail, manufacturing, and construction sectors. Neither community representatives could identify any major business closures or changes in industry dynamics throughout the evaluation period. However, a representative stated while there is a lack of workers, there is a push to get factories to locate to Jasper County. Further, a representative stated that a lot of recent employment growth has come from existing employers' growth and not the result of new employers entering the market.

### Community Representatives

Two community representatives were contacted to provide information about local economic and demographic conditions. Both representatives noted that a primary concern for low- and moderate-income individuals is the lack of quality affordable housing. A community representative noted that available lots for new home construction is limited in the less rural parts of the assessment area as many Illinois residents have migrated to the region due to lower cost of living and lower state income and property tax rates. The more rural parts of the assessment area struggle to grow their populations according to a community representative, because of the low level of local municipal infrastructure upgrades necessary to increase the quality of life. Overall, the community representatives noted that financial institutions and social service organizations were active in the assessment area, but stressed the need for additional affordable housing opportunities for low- and moderate-income individuals for both renters and owners.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN GARY, INDIANA MD

### LENDING TEST

#### Geographic Distribution of Loans

DSB demonstrates reasonable geographic distribution of loans given the bank's assessment area. An analysis of the geographic distribution of HMDA-reportable and a sample of small business

and small farm loans was conducted to determine the dispersion of loans among the census tract designations within the assessment area, particularly moderate-income census tracts, given the bank's assessment area does not include low-income census tracts.

In 2022, the bank originated HMDA-reportable loans in 54.1 percent of the census tracts in the assessment area, including within one moderate-income census tract. In 2022, small business and small farm loans were originated in 56.8 percent of the census tracts, in which small business and small farm loans were originated in all three moderate-income census tracts. Based upon this analysis, it appears there are no conspicuous geographic lending gaps. A detailed discussion of HMDA-reportable, small business, and small farm lending in relation to census demographics is provided below. Due to the bank's overall loan composition, the small business evaluation received greater weight within the analysis.

For the purposes of this review, loans made in calendar years up to and including 2021 were analyzed based on income designations from the 2011-2015 American Community Survey data. Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.

### HMDA-Reportable Loans

The geographic distribution of HMDA-reportable loans reflects reasonable dispersion throughout the assessment area. In 2022, DSB originated one loan, or 1.3 percent of total HMDA-reportable loans in moderate-income census tracts, which is below both the aggregate of lenders and the percentage of owner-occupied units located in moderate-income census tracts at 3.8 percent and 5.1, respectively. The majority (87.2 percent) of the bank's HMDA-reportable loans were originated in middle-income census tracts, which is significantly greater than the aggregate of lenders (49.5 percent) and the percentage of owner-occupied units (50.6 percent) in the assessment area. The bank originated 11.5 percent of HMDA-reportable loans in upper-income census tracts, which is significantly below the aggregate of lenders (46.7 percent) and the owner-occupied units (50.6 percent) located in upper-income census tracts.

The bank's overall performance in 2021 exceeded 2022 figures, specifically within moderate-income tracts, where the bank originated 9.5 percent of HMDA-reportable loans, which is above the aggregate at 1.3 percent. Please refer to Appendix B for the 2021 geographic distribution lending tables.

Specific to HMDA-reportable lending, due to limited lending activity of home improvement and multi-family, only home purchase and refinance loans will be discussed.

### *Home Purchase Loans*

In 2022, home purchase loans represented 20.5 percent of the bank's total HMDA-reportable loans

in the Gary, Indiana MD assessment area. DSB did not originate any home purchase loans in moderate-income census tracts. The bank's performance was below both the aggregate of lenders and the percentage of owner-occupied units within moderate-income tracts at 4.1 percent and 5.1 percent, respectively. The bank originated 100.0 percent of its home purchase loans in middle-income census tracts, significantly above the aggregate of lenders at 50.7 percent and 50.6 percent of owner-occupied units located in middle-income census tracts. The bank did not originate any home purchase loans in upper-income census tracts, which is significantly below the aggregate at 45.2 percent and the 44.3 percent of owner-occupied units located in upper-income census tracts.

#### *Refinance Loans*

In 2022, refinance loans represented 61.5 percent of HMDA-reportable loans in the Gary, Indiana MD assessment area. The bank originated 2.1 percent of its refinance loans in moderate-income census tracts, below both the aggregate of 3.8 percent and below the 5.1 percent of owner occupied units in the assessment area. The bank originated the majority of its refinance loans (83.3 percent) in middle-income census tracts, which is significantly above the aggregate of lenders (49.1 percent) and the percentage of owner occupied units in middle-income census tracts at 50.6 percent. The bank originated 14.6 percent of its refinance loans in upper-income census tracts, significantly below both the aggregate of lenders at 47.0 percent and the 44.3 percent of owner occupied units located in upper-income census tracts.

The following table summarizes the bank's 2022 HMDA-reportable lending in the assessment area. Please refer to Appendix B for the 2021 geographic distribution lending tables.

Distribution of 2022 Home Mortgage Lending By Income Level of Geography							
Assessment Area: Gary, IN MD 23844							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
<b>Home Purchase Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	4.1	0	0.0	2.9	5.1
Middle	16	100.0	50.7	2,321	100.0	46.6	50.6
Upper	0	0.0	45.2	0	0.0	50.5	44.3
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>16</b>	<b>100.0</b>	<b>100.0</b>	<b>2,321</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	1	2.1	3.8	90	1.3	2.9	5.1
Middle	40	83.3	49.1	5,556	78.0	45.8	50.6
Upper	7	14.6	47.0	1,474	20.7	51.4	44.3
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>100.0</b>	<b>7,120</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	2.9	0	0.0	2.6	5.1
Middle	12	85.7	42.4	708	76.7	38.6	50.6
Upper	2	14.3	54.7	215	23.3	58.9	44.3
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>14</b>	<b>100.0</b>	<b>100.0</b>	<b>923</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>							<b>Multi-family Units %</b>
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	8.3	0	0.0	11.1	7.0
Middle	0	0.0	66.7	0	0.0	66.8	44.8
Upper	0	0.0	25.0	0	0.0	22.1	48.2
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>							<b>Owner Occupied Units %</b>
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	1	1.3	3.8	90	0.9	2.9	5.1
Middle	68	87.2	49.5	8,585	82.8	46.2	50.6
Upper	9	11.5	46.7	1,689	16.3	50.8	44.3
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>78</b>	<b>100.0</b>	<b>100.0</b>	<b>10,364</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2022 FFIEC Census Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

### Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Within the sample of small business loans reviewed, DSB originated 4.6 percent of its small business loans in moderate-income census tracts, below the percentage of total businesses located in moderate-income census tracts at 9.3 percent. A majority (80.5 percent) of the bank’s small business loans were originated in middle-income tracts, which is significantly above the percentage of total businesses located in those geographies at 45.6 percent. The bank originated 14.9 percent of its small business loans in upper-income census tracts, well below the percentage of total businesses located in those geographies at 45.1 percent.

The following table presents the bank’s geographic distribution of small business loans in 2022.

Distribution of 2022 Small Business Lending By Income Level of Geography					
Assessment Area: Gary, IN MD 23844					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	4	4.6	196	2.2	9.3
Middle	70	80.5	6,528	74.5	45.6
Upper	13	14.9	2,043	23.3	45.1
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>87</b>	<b>100.0</b>	<b>8,768</b>	<b>100.0</b>	<b>100.0</b>

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey

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

### Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Within the sample of small business loans reviewed, DSB originated 2.1 percent of its small farm loans in moderate-income census tracts, slightly below the percentage of total farms located in moderate-income census tracts at 3.9 percent. While the bank originated only one small farm loan in moderate-income census tracts, there was limited opportunity within these tracts, as only 3.9 percentage of total farms are located in those geographies. A majority (77.1 percent) of the bank’s small farm loans were originated in middle-income tracts, which is above the percentage of total farms located in those geographies at 67.9 percent. The bank originated 20.8 percent of its small farm loans in upper-income census tracts, below the percentage of total farms located in those geographies at 28.3 percent.

The following table presents the bank’s geographic distribution of small farm loans in 2022.

Distribution of 2022 Small Farm Lending By Income Level of Geography					
Assessment Area: Gary, IN MD 23844					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	1	2.1	320	3.4	3.9
Middle	37	77.1	6,776	72.6	67.9
Upper	10	20.8	2,234	23.9	28.3
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>9,330</b>	<b>100.0</b>	<b>100.0</b>

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey

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

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

DSB demonstrates a reasonable distribution of loans to and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes that is reasonable given the demographics of the bank’s assessment area.

Specific to HMDA-reportable lending, due to limited lending activity of home improvement and multi-family, only home purchase and refinance loans will be discussed.

### HMDA-Reportable Loans

The borrower distribution of HMDA-reportable loans reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes. In 2022, DSB originated 9.0 percent of its total HMDA-reportable loans to low-income borrowers, which is slightly above the aggregate of 6.8 percent, but below the 13.7 percent of low-income families in the assessment area. The bank originated 24.4 percent of its HMDA-reportable loans to moderate-income borrowers, which is above the aggregate of lenders at 18.1 percent and the 15.2 percent of moderate-income families within the assessment area. The bank originated 24.4 percent of its HMDA-reportable loans to middle-income borrowers, comparable to both the aggregate of lenders at 25.4 percent and the percentage of middle-income families within the assessment area at 23.7 percent. The bank originated 35.9 percent of its HMDA-reportable loans to upper-income borrowers, slightly above the aggregate of lenders of 34.0 percent and below the percentage of upper-income families within the assessment area at 47.4 percent. In addition, the bank originated 6.4 percent of its HMDA-reportable loans to borrowers of unknown-income, below the aggregate at 15.8 percent.

The bank's distribution of HMDA-reportable lending to borrowers of different income levels in 2022 was consistent with the distribution of HMDA-reportable loans in 2021. Please see Appendix B for 2021 lending tables.

#### *Home Purchase Loans*

In 2022, home purchase loans represented 20.5 percent of the bank's total HMDA-reportable loans in the Gary, Indiana MD assessment area. In 2022, DSB originated 12.5 percent of its home purchase loans to low-income borrowers, which is above the aggregate of lenders at 5.6 percent and comparable to the percentage of low-income families within the assessment area at 13.7 percent. The bank originated 31.3 percent of its home purchase loans to moderate-income borrowers, which is above both the aggregate of lenders and the percentage of moderate-income families within the assessment area at 18.0 percent and 15.2 percent, respectively. The bank originated 18.8 percent of its home purchase loans to middle-income borrowers, below both the aggregate of lenders and the percentage of middle-income families within the assessment area at 24.0 percent and 23.7 percent, respectively. The bank originated 31.3 percent of its home purchase loans to upper-income borrowers, slightly below the aggregate and below the percentage of upper-income families within the assessment area at 32.9 percent and 47.4 percent, respectively. In addition, the bank originated 6.3 percent of its home purchase loans to borrowers of unknown-income, below the aggregate at 19.6 percent.

#### *Refinance Loans*

In 2022, refinance loans represented 61.5 percent of HMDA-reportable loans in the Gary, Indiana MD assessment area. In 2022, DSB originated 10.4 percent of its refinance loans to low-income borrowers, which is comparable to the aggregate at 9.5 percent and below the percentage of low-income families within the assessment area at 13.7 percent. The bank originated 20.8 percent of its refinance loans to moderate-income borrowers, which is comparable to the aggregate of lenders and greater when compared to the percentage of moderate-income families within the assessment area, at 19.4 percent and 15.2 percent, respectively. The bank originated 22.9 percent of its refinance loans to middle-income borrowers, below the aggregate of lenders rate of 27.9 percent, but comparable to the percentage of middle-income families within the assessment area at 23.7 percent. The bank originated 37.5 percent of its refinance loans to upper-income borrowers, above the aggregate of lenders at 30.8 percent and below the percentage of upper-income families within the assessment area at 47.4 percent. In addition, the bank originated 8.3 percent of its refinance loans to borrowers of unknown-income, below the aggregate at 12.4 percent.

The following table summarizes the bank's 2022 HMDA-reportable lending in the assessment area. Please refer to Appendix B for the 2021 borrower distribution tables.



Distribution of 2022 Home Mortgage Lending By Borrower Income Level							
Assessment Area: Gary, IN MD 23844							
Borrower Income Level	Bank And Aggregate Loans						Families by Family Income %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	\$%	
<b>Home Purchase Loans</b>							
Low	2	12.5	5.6	165	7.1	2.9	13.7
Moderate	5	31.3	18.0	606	26.1	12.8	15.2
Middle	3	18.8	24.0	370	15.9	22.4	23.7
Upper	5	31.3	32.9	1,064	45.8	42.4	47.4
Unknown	1	6.3	19.6	116	5.0	19.5	0.0
<b>Total</b>	<b>16</b>	<b>100.0</b>	<b>100.0</b>	<b>2,321</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>							
Low	5	10.4	9.5	135	1.9	5.3	13.7
Moderate	10	20.8	19.4	1,239	17.4	15.0	15.2
Middle	11	22.9	27.9	1,186	16.7	27.1	23.7
Upper	18	37.5	30.8	3,519	49.4	38.4	47.4
Unknown	4	8.3	12.4	1,041	14.6	14.3	0.0
<b>Total</b>	<b>48</b>	<b>100.0</b>	<b>100.0</b>	<b>7,120</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	0	0.0	4.2	0	0.0	3.2	13.7
Moderate	4	28.6	16.0	168	18.2	13.1	15.2
Middle	5	35.7	27.1	525	56.9	22.4	23.7
Upper	5	35.7	50.0	230	24.9	59.3	47.4
Unknown	0	0.0	2.7	0	0.0	2.0	0.0
<b>Total</b>	<b>14</b>	<b>100.0</b>	<b>100.0</b>	<b>923</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>							
Low	7	9.0	6.8	300	2.9	3.5	13.7
Moderate	19	24.4	18.1	2,013	19.4	13.3	15.2
Middle	19	24.4	25.4	2,081	20.1	23.4	23.7
Upper	28	35.9	34.0	4,813	46.4	41.9	47.4
Unknown	5	6.4	15.8	1,157	11.2	17.8	0.0
<b>Total</b>	<b>78</b>	<b>100.0</b>	<b>100.0</b>	<b>10,364</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2022 FFIEC Census Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							
Multifamily loans are not included in the borrower distribution analysis.							

### Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. A sample of small business loans originated in 2022 were reviewed, of which 75.9 percent by number were to businesses with gross revenues equal to or less than \$1 million. The bank's performance was below the presence of total small businesses operating in the

assessment area at 92.5 percent. However, 72.7 percent of the bank’s loans originated to businesses with annual revenues of \$1 million or less, were in the amounts of \$100,000 or less. These loans are considered the most beneficial to small businesses and demonstrates the bank’s willingness to meet the credit needs of small businesses.

The following table presents the bank’s borrower distribution of small business loans in 2022.

<b>Distribution of 2022 Small Business Lending By Revenue Size of Businesses</b>					
<b>Assessment Area: Gary, IN MD 23844</b>					
	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	66	75.9	5,827	66.5	92.5
<b>Over \$1 Million</b>	21	24.1	2,940	33.5	5.9
<b>Revenue Unknown</b>	0	0.0	0	0.0	1.6
<b>Total</b>	87	100.0	8,768	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	60	69.0	2,406	27.4	
<b>\$100,001 - \$250,000</b>	17	19.5	2,577	29.4	
<b>\$250,001 - \$1 Million</b>	10	11.5	3,785	43.2	
<b>Total</b>	87	100.0	8,768	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	48	72.7	1,726	29.6	
<b>\$100,001 - \$250,000</b>	11	16.7	1,716	29.4	
<b>\$250,001 - \$1 Million</b>	7	10.6	2,385	40.9	
<b>Total</b>	66	100.0	5,827	100.0	
<i>Source: 2022 FFIEC Census Data</i>					
<i>2022 Dun &amp; Bradstreet Data</i>					
<i>2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

### Small Farm Loans

The distribution of small farm loans reflects reasonable penetration among farms of different revenue sizes. A sample of small farm loans originated in 2022 were reviewed, of which 60.4 percent by number were to farms with gross revenues equal to or less than \$1 million. The bank’s performance was below the presence of total small farms operating in the assessment area at 95.5 percent. Further, 34.5 percent of the bank’s loans originated to farms with annual revenues of \$1 million or less, were in the amounts of \$100,000 or less. These loans are considered the most beneficial to small farms and demonstrates the bank’s willingness to meet the credit needs of small

farms.

The following table presents the bank’s borrower distribution of small farm loans in 2022.

Distribution of 2022 Small Farm Lending By Revenue Size of Farms					
Assessment Area: Gary, IN MD 23844					
	Bank Loans				Total Farms
	#	#%	\$(000)	\$%	%
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	29	60.4	5,452	58.4	95.5
<b>Over \$1 Million</b>	19	39.6	3,877	41.6	4.5
<b>Revenue Unknown</b>	0	0.0	0	0.0	0.0
<b>Total</b>	48	100.0	9,330	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	13	27.1	681	7.3	
<b>\$100,001 - \$250,000</b>	21	43.8	3,363	36.0	
<b>\$250,001 - \$500,000</b>	14	29.2	5,286	56.7	
<b>Total</b>	48	100.0	9,330	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	10	34.5	500	9.2	
<b>\$100,001 - \$250,000</b>	12	41.4	2,002	36.7	
<b>\$250,001 - \$500,000</b>	7	24.1	2,950	54.1	
<b>Total</b>	29	100.0	5,452	100.0	
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

## COMMUNITY DEVELOPMENT TEST

DSB demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, donations, and services, considering the bank’s capacity and the need and availability of such opportunities for community development in the bank’s assessment area.

### Lending

An evaluation of the quantity and quality of community development loans was conducted in light of the bank’s performance context, community credit needs, and the bank’s ability to meet those needs. During the evaluation period, the bank originated nine community development loans totaling approximately \$849,600. In addition, within this assessment area, the bank originated 105 qualified PPP loans, totaling approximately \$2.9 million during the evaluation period. As PPP loans are in direct response to the COVID-19 pandemic and are specifically designed to benefit small businesses and retain jobs during the pandemic, these loans are

considered very responsive and flexible. During the previous evaluation, the bank originated seven qualified community development loans totaling approximately \$2.4 million.

### Investments

During this evaluation, the bank made no investments and had no outstanding investments from the prior period evaluation within this assessment area. At the prior examination, the bank made a total of 2 investments amounting to approximately \$3.6 million in the assessment area. The bank attributes this decrease in qualified investments to a renewed focus on liquidity. During this evaluation period, the bank made 38 qualified donations totaling approximately \$21,928 to community organizations in the assessment area. Donations were made to both affordable housing and community service organizations. During the previous evaluation, the bank made 38 qualified donations totaling \$10,892 to community services and affordable housing.

### Services

During the evaluation period bank staff provided 103.25 qualified community development service hours at two organizations. At the previous evaluation, bank staff provided 210 qualified community development service hours at five organizations. The decrease in service hours for this evaluation period can be attributed to the COVID-19 pandemic limiting service opportunities. Service hours in the assessment area were focused on community service activities that benefitted low- and moderate-income individuals. It should be noted that one community service activity directly benefitted a low- and moderate-income individual by helping a homeowner avoid foreclosure through the Indiana Housing and Community Development Authority program.

Summary of CD Activities Gary, Indiana MD August 4, 2020 to August 14, 2023										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	0	0	6	681,800	3	167,800	0	0	9	849,600
Investment	0	0	0	0	0	0	0	0	0	0
Donations	3	3,100	0	0	0	0	35	18,828	38	21,928
Services	0	0	0	0	0	0	2	103.25	2	103.25

## INDIANA NON-MSA– LIMITED REVIEW

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN INDIANA NON-MSA

DSB’s assessment area is comprised of the entirety of Starke County. The assessment area is comprised of seven census tracts, including two moderate-income and five middle-income census tracts. There are no low-income census tracts or distressed or underserved middle-income geographies as designated by the FFIEC within the bank’s assessment area. The bank maintains one full-service branch with a cash-only ATM located in a moderate-income census tract. There have been no branch or ATM closures within the assessment area since the previous evaluation.

According to the June 30, 2022, FDIC Deposit Market Share Report, DeMotte State Bank ranked fifth among five FDIC-insured financial institutions operating in Starke County. The bank held \$22.1 million in deposits, representing 5.6 percent of the total deposit market share in Starke County. The financial institutions comprising the largest percentage of the deposit market share in Starke County are 1<sup>st</sup> Source Bank (34.3 percent), First Farmers Bank & Trust Co. (24.9 percent), and The First National Bank of Monterey (18.1 percent).

In 2022, the bank ranked 19<sup>th</sup> among 125 HMDA-reporters, originating four HMDA-reportable loans. In comparison, the first ranked institution, 1<sup>st</sup> Source Bank originated 55 HMDA loans, and second ranked Ruoff Mortgage Company, Inc. originated 48 HMDA loans.

Additional assessment area demographic information is provided in the following table. Please refer to Appendix B for 2021 demographic information.

2022 IN Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,343	23.3
Moderate	2	28.6	1,691	29.3	343	20.3	1,212	21.0
Middle	5	71.4	4,081	70.7	339	8.3	1,221	21.2
Upper	0	0.0	0	0.0	0	0.0	1,996	34.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>7</b>	<b>100.0</b>	<b>5,772</b>	<b>100.0</b>	<b>682</b>	<b>11.8</b>	<b>5,772</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	3,285	1,807	26.0	55.0	723	22.0	755	23.0
Middle	7,900	5,151	74.0	65.2	809	10.2	1,940	24.6
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>11,185</b>	<b>6,958</b>	<b>100.0</b>	<b>62.2</b>	<b>1,532</b>	<b>13.7</b>	<b>2,695</b>	<b>24.1</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	294	41.3	275	41.8	15	40.5	4	23.5
Middle	418	58.7	383	58.2	22	59.5	13	76.5
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>712</b>	<b>100.0</b>	<b>658</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.4</b>		<b>5.2</b>		<b>2.4</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	8	10.1	8	10.3	0	0.0	0	0.0
Middle	71	89.9	70	89.7	1	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>79</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>98.7</b>		<b>1.3</b>		<b>0.0</b>
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN INDIANA NON-MSA**

### **LENDING TEST**

The institution's lending in the assessment area is consistent with the institution's lending performance overall.

Distribution of 2022 Home Mortgage Lending By Income Level of Geography							
Assessment Area: IN Non MSA							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
<b>Home Purchase Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	1	100.0	32.1	90	100.0	28.6	26.0
Middle	0	0.0	67.9	0	0.0	71.4	74.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>90</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	2	100.0	28.7	75	100.0	26.5	26.0
Middle	0	0.0	71.3	0	0.0	73.5	74.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	30.0	0	0.0	30.6	26.0
Middle	1	100.0	70.0	11	100.0	69.4	74.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>							<b>Multi-family Units %</b>
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	73.0
Middle	0	0.0	0.0	0	0.0	0.0	27.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>	<b>0.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>							<b>Owner Occupied Units %</b>
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	3	75.0	30.9	165	93.8	28.0	26.0
Middle	1	25.0	69.1	11	6.3	72.0	74.0
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>4</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2022 FFIEC Census Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							



Distribution of 2022 Small Business Lending By Income Level of Geography					
Assessment Area: IN Non MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	1	100.0	40	100.0	41.3
Middle	0	0.0	0	0.0	58.7
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>100.0</b>

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey

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

Distribution of 2022 Small Farm Lending By Income Level of Geography					
Assessment Area: IN Non MSA					
Geographic Income Level	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	1	10.0	90	7.2	10.1
Middle	9	90.0	1,155	92.8	89.9
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>1,245</b>	<b>100.0</b>	<b>100.0</b>

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey

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

Distribution of 2022 Home Mortgage Lending By Borrower Income Level							
Assessment Area: IN Non MSA							
Borrower Income Level	Bank And Aggregate Loans					Families by Family Income %	
	Bank		Agg	Bank			Agg
	#	#%	#%	\$(000)	%		%
<b>Home Purchase Loans</b>							
Low	0	0.0	9.5	0	0.0	6.0	23.3
Moderate	0	0.0	25.4	0	0.0	20.8	21.0
Middle	1	100.0	23.0	90	100.0	22.4	21.2
Upper	0	0.0	20.7	0	0.0	27.0	34.6
Unknown	0	0.0	21.4	0	0.0	23.8	0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>90</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>							
Low	1	50.0	15.6	40	53.3	9.0	23.3
Moderate	0	0.0	26.2	0	0.0	23.1	21.0
Middle	0	0.0	27.8	0	0.0	29.9	21.2
Upper	1	50.0	23.6	35	46.7	30.6	34.6
Unknown	0	0.0	6.8	0	0.0	7.4	0.0
<b>Total</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	0	0.0	6.0	0	0.0	6.2	23.3
Moderate	0	0.0	24.0	0	0.0	20.4	21.0
Middle	1	100.0	28.0	11	100.0	25.6	21.2
Upper	0	0.0	36.0	0	0.0	42.7	34.6
Unknown	0	0.0	6.0	0	0.0	5.1	0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>							
Low	1	25.0	10.9	40	22.7	6.7	23.3
Moderate	0	0.0	24.9	0	0.0	21.0	21.0
Middle	2	50.0	24.6	101	57.4	24.2	21.2
Upper	1	25.0	24.3	35	19.9	29.3	34.6
Unknown	0	0.0	15.3	0	0.0	18.7	0.0
<b>Total</b>	<b>4</b>	<b>100.0</b>	<b>100.0</b>	<b>176</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2022 FFIEC Census Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							
Multifamily loans are not included in the borrower distribution analysis.							

Distribution of 2022 Small Business Lending By Revenue Size of Businesses					
Assessment Area: IN Non MSA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
<b>By Revenue</b>					
\$1 Million or Less	1	100.0	40	100.0	92.4
Over \$1 Million	0	0.0	0	0.0	5.2
Revenue Unknown	0	0.0	0	0.0	2.4
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>100.0</b>
<b>By Loan Size</b>					
\$100,000 or Less	1	100.0	40	100.0	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$1 Million	0	0.0	0	0.0	
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
\$100,000 or Less	1	100.0	40	100.0	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$1 Million	0	0.0	0	0.0	
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey

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

Distribution of 2022 Small Farm Lending By Revenue Size of Farms					
Assessment Area: IN Non MSA					
	Bank Loans				Total Farms %
	#	#%	\$(000)	%	
<b>By Revenue</b>					
\$1 Million or Less	7	70.0	1,014	81.4	98.7
Over \$1 Million	3	30.0	230	18.5	1.3
Revenue Unknown	0	0.0	0	0.0	0.0
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>1,245</b>	<b>100.0</b>	<b>100.0</b>
<b>By Loan Size</b>					
\$100,000 or Less	6	60.0	295	23.7	
\$100,001 - \$250,000	2	20.0	200	16.1	
\$250,001 - \$500,000	2	20.0	750	60.2	
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>1,245</b>	<b>100.0</b>	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
\$100,000 or Less	5	71.4	264	26.0	
\$100,001 - \$250,000	0	0.0	0	0.0	
\$250,001 - \$500,000	2	28.6	750	74.0	
<b>Total</b>	<b>7</b>	<b>100.0</b>	<b>1,014</b>	<b>100.0</b>	

Source: 2022 FFIEC Census Data  
2022 Dun & Bradstreet Data  
2016-2020 U.S. Census Bureau: American Community Survey

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

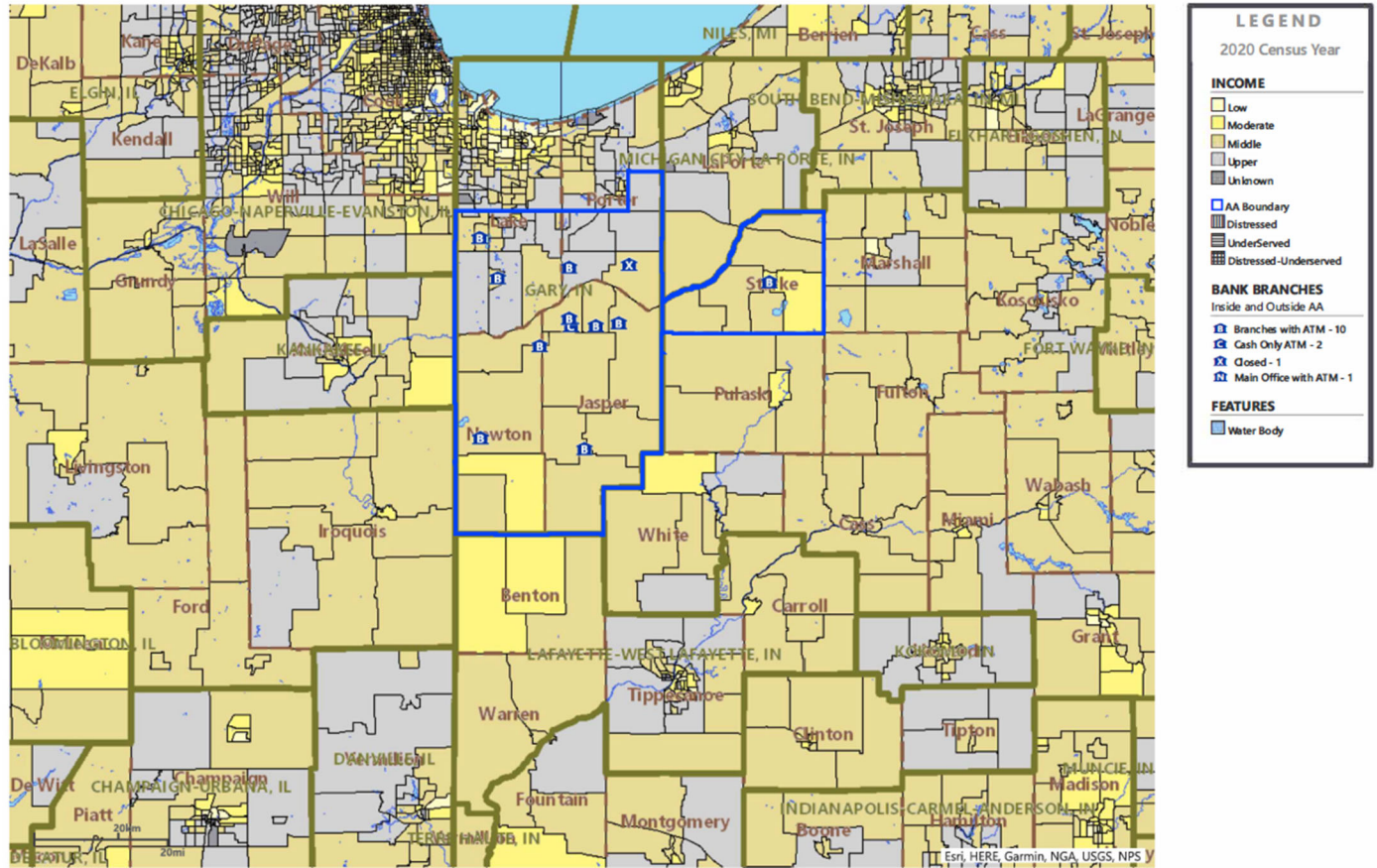
**COMMUNITY DEVELOPMENT TEST**

The institution’s community development performance in the assessment area is consistent with the institution’s community development performance overall.

Summary of CD Activities Non-MSA Indiana August 4, 2020 to August 14, 2023										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	0	0	0	0	1	817,000	0	0	1	817,000
Investment	0	0	0	0	0	0	0	0	0	0
Donations	0	0	2	450	0	0	12	4,150	14	4,600
Services	0	0	1	110	0	0	1	94	2	204

### APPENDIX A – Maps of Assessment Areas

#### DeMotte State Bank 539340 Combined Assessment Area



**APPENDIX B – 2021 Demographic and Lending Tables**

2021 Gary, IN MD 23844 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	5,918	14.4
Moderate	1	3.3	831	2.0	55	6.6	6,724	16.4
Middle	19	63.3	21,698	53.0	1,548	7.1	9,364	22.9
Upper	10	33.3	18,435	45.0	635	3.4	18,958	46.3
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>30</b>	<b>100.0</b>	<b>40,964</b>	<b>100.0</b>	<b>2,238</b>	<b>5.5</b>	<b>40,964</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,423	894	2.0	62.8	323	22.7	206	14.5
Middle	32,806	23,293	51.1	71.0	6,732	20.5	2,781	8.5
Upper	25,138	21,432	47.0	85.3	2,539	10.1	1,167	4.6
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>59,367</b>	<b>45,619</b>	<b>100.0</b>	<b>76.8</b>	<b>9,594</b>	<b>16.2</b>	<b>4,154</b>	<b>7.0</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	117	1.8	105	1.7	6	1.5	6	6.5
Middle	3,294	50.2	3,046	50.1	201	51.1	47	51.1
Upper	3,152	48.0	2,927	48.2	186	47.3	39	42.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>6,563</b>	<b>100.0</b>	<b>6,078</b>	<b>100.0</b>	<b>393</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.6</b>		<b>6.0</b>		<b>1.4</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	30	6.2	26	5.6	4	19.0	0	0.0
Middle	322	66.7	310	67.1	12	57.1	0	0.0
Upper	131	27.1	126	27.3	5	23.8	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>483</b>	<b>100.0</b>	<b>462</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>95.7</b>		<b>4.3</b>		<b>0.0</b>
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Distribution of 2021 Home Mortgage Lending By Income Level of Geography							
Assessment Area: Gary, IN MD 23844							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
<b>Home Purchase Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	1	2.9	1.5	55	1.1	1.0	2.0
Middle	29	82.9	47.5	3,845	77.6	40.2	51.1
Upper	5	14.3	50.9	1,052	21.2	58.7	47.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>35</b>	<b>100.0</b>	<b>100.0</b>	<b>4,952</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	6	12.2	1.2	2,947	35.2	1.1	2.0
Middle	33	67.3	42.1	4,322	51.6	35.2	51.1
Upper	10	20.4	56.7	1,113	13.3	63.7	47.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>49</b>	<b>100.0</b>	<b>100.0</b>	<b>8,382</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	2	22.2	1.2	85	16.4	1.0	2.0
Middle	7	77.8	36.1	434	83.6	31.9	51.1
Upper	0	0.0	62.7	0	0.0	67.1	47.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>9</b>	<b>100.0</b>	<b>100.0</b>	<b>519</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>							<b>Multi-family Units %</b>
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	1.5
Middle	2	100.0	58.3	1,194	100.0	29.3	67.5
Upper	0	0.0	41.7	0	0.0	70.7	31.1
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>1,194</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>							<b>Owner Occupied Units %</b>
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	9	9.5	1.3	3,087	20.5	1.0	2.0
Middle	71	74.7	44.2	9,795	65.1	37.4	51.1
Upper	15	15.8	54.5	2,165	14.4	61.6	47.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>100.0</b>	<b>15,047</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2021 FFIEC Census Data							
2011-2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Distribution of 2021 Home Mortgage Lending By Borrower Income Level							
Assessment Area: Gary, IN MD 23844							
Borrower Income Level	Bank And Aggregate Loans					Families by Family Income %	
	Bank		Agg	Bank			Agg
	#	#%	#%	\$(000)	%		%
<b>Home Purchase Loans</b>							
Low	3	8.6	5.2	299	6.0	2.6	14.4
Moderate	8	22.9	18.4	961	19.4	13.6	16.4
Middle	8	22.9	24.4	1,120	22.6	23.2	22.9
Upper	9	25.7	32.7	1,437	29.0	42.0	46.3
Unknown	7	20.0	19.5	1,135	22.9	18.6	0.0
<b>Total</b>	<b>35</b>	<b>100.0</b>	<b>100.0</b>	<b>4,952</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>							
Low	6	12.2	5.5	293	3.5	3.0	14.4
Moderate	14	28.6	16.2	1,119	13.4	11.9	16.4
Middle	14	28.6	25.1	1,753	20.9	22.6	22.9
Upper	12	24.5	34.9	4,244	50.6	43.0	46.3
Unknown	3	6.1	18.2	973	11.6	19.5	0.0
<b>Total</b>	<b>49</b>	<b>100.0</b>	<b>100.0</b>	<b>8,382</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	1	11.1	6.6	53	10.2	3.8	14.4
Moderate	1	11.1	13.8	60	11.6	11.3	16.4
Middle	5	55.6	21.6	214	41.2	17.7	22.9
Upper	2	22.2	53.8	192	37.0	61.5	46.3
Unknown	0	0.0	4.2	0	0.0	5.7	0.0
<b>Total</b>	<b>9</b>	<b>100.0</b>	<b>100.0</b>	<b>519</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>							
Low	10	10.8	5.4	645	4.7	2.8	14.4
Moderate	23	24.7	16.8	2,140	15.4	12.6	16.4
Middle	27	29.0	24.4	3,087	22.3	22.7	22.9
Upper	23	24.7	34.6	5,873	42.4	42.5	46.3
Unknown	10	10.8	18.8	2,108	15.2	19.3	0.0
<b>Total</b>	<b>93</b>	<b>100.0</b>	<b>100.0</b>	<b>13,853</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2021 FFIEC Census Data							
2011-2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							
Multifamily loans are not included in the borrower distribution analysis.							



2021 IN Non MSA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	1,291	20.9
Moderate	1	14.3	874	14.1	152	17.4	1,396	22.6
Middle	6	85.7	5,305	85.9	574	10.8	1,543	25.0
Upper	0	0.0	0	0.0	0	0.0	1,949	31.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>7</b>	<b>100.0</b>	<b>6,179</b>	<b>100.0</b>	<b>726</b>	<b>11.7</b>	<b>6,179</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,718	881	12.4	51.3	537	31.3	300	17.5
Middle	9,267	6,242	87.6	67.4	1,129	12.2	1,896	20.5
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>10,985</b>	<b>7,123</b>	<b>100.0</b>	<b>64.8</b>	<b>1,666</b>	<b>15.2</b>	<b>2,196</b>	<b>20.0</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	215	29.3	197	29.1	14	35.9	4	23.5
Middle	519	70.7	481	70.9	25	64.1	13	76.5
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>734</b>	<b>100.0</b>	<b>678</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.4</b>		<b>5.3</b>		<b>2.3</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	1.3	1	1.3	0	0.0	0	0.0
Middle	78	98.7	77	98.7	1	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>79</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>98.7</b>		<b>1.3</b>		<b>0.0</b>
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Distribution of 2021 Home Mortgage Lending By Income Level of Geography							
Assessment Area: IN Non MSA							
Geographic Income Level	Bank And Aggregate Loans						Owner Occupied Units %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
<b>Home Purchase Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	18.5	0	0.0	15.2	12.4
Middle	1	100.0	81.5	60	100.0	84.8	87.6
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	11.4	0	0.0	8.6	12.4
Middle	0	0.0	88.6	0	0.0	91.4	87.6
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	15.6	0	0.0	21.3	12.4
Middle	0	0.0	84.4	0	0.0	78.7	87.6
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Multifamily Loans</b>							<b>Multi-family Units %</b>
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	100.0	0	0.0	100.0	50.3
Middle	0	0.0	0.0	0	0.0	0.0	49.7
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>							<b>Owner Occupied Units %</b>
Low	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	14.5	0	0.0	12.3	12.4
Middle	1	100.0	85.5	60	100.0	87.7	87.6
Upper	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2021 FFIEC Census Data							
2011-2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Distribution of 2021 Home Mortgage Lending By Borrower Income Level							
Assessment Area: IN Non MSA							
Borrower Income Level	Bank And Aggregate Loans					Families by Family Income %	
	Bank		Agg	Bank			Agg
	#	#%	#%	\$(000)	%		%
<b>Home Purchase Loans</b>							
Low	0	0.0	9.0	0	0.0	5.2	20.9
Moderate	0	0.0	23.6	0	0.0	18.2	22.6
Middle	1	100.0	26.6	60	100.0	27.1	25.0
Upper	0	0.0	22.5	0	0.0	30.0	31.5
Unknown	0	0.0	18.2	0	0.0	19.6	0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>							
Low	0	0.0	10.8	0	0.0	6.1	20.9
Moderate	0	0.0	14.2	0	0.0	10.0	22.6
Middle	0	0.0	27.1	0	0.0	24.1	25.0
Upper	0	0.0	33.7	0	0.0	39.9	31.5
Unknown	0	0.0	14.2	0	0.0	19.9	0.0
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Home Improvement Loans</b>							
Low	0	0.0	12.5	0	0.0	5.4	20.9
Moderate	0	0.0	15.6	0	0.0	11.0	22.6
Middle	0	0.0	25.0	0	0.0	22.7	25.0
Upper	0	0.0	40.6	0	0.0	43.7	31.5
Unknown	0	0.0	6.3	0	0.0	17.1	0.0
<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Total Home Mortgage Loans</b>							
Low	0	0.0	9.7	0	0.0	5.5	20.9
Moderate	0	0.0	18.6	0	0.0	14.3	22.6
Middle	1	100.0	26.7	60	100.0	25.2	25.0
Upper	0	0.0	28.6	0	0.0	34.8	31.5
Unknown	0	0.0	16.5	0	0.0	20.2	0.0
<b>Total</b>	<b>1</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Source: 2021 FFIEC Census Data							
2011-2015 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							
Multifamily loans are not included in the borrower distribution analysis.							

**APPENDIX C – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>	Lending Test: <ul style="list-style-type: none"> <li>- HMDA-Reportable Loans: January 1, 2021 – December 31, 2022</li> <li>- Small Business Loans: January 1, 2022 – December 31, 2022</li> <li>- Small Farm Loans: January 1, 2022 – December 31, 2022</li> </ul> Community Development Test: August 4, 2020 – August 14, 2023		
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
DeMotte State Bank			HMDA-Reportable Loans Small Business Loans Small Farm Loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Gary, Indiana MD #23844	Full Scope Review	N/A	N/A
Non-MSA, Indiana	Limited Scope Review	N/A	N/A

## APPENDIX D – Glossary

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

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

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

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

**Area Median Income (AMI):** AMI means –

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

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

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

**Bank:** Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

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<sup>1</sup> Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

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

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

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

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

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

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

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment, or population loss; or
- b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

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

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

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

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

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

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

**Fair market rent:** Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

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

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

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

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

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

**Income Level:** Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;



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

*Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Small Farm Loan:** This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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