

PUBLIC DISCLOSURE

July 15, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

G.W. Jones Exchange Bank
RSSD# 540542

115 West Main Street
Marcellus, Michigan 49067

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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BANK'S CRA RATING

G.W. Jones Exchange Bank is rated Satisfactory.

G.W. Jones Exchange Bank (GWJ) is meeting the credit needs of its community based on an analysis of the bank's lending performance. The bank's loan-to-deposit ratio is less than reasonable considering the bank's size, financial condition, capacity to lend, and assessment area credit needs. A majority of the bank's loans were originated inside the bank's assessment area. The geographic dispersion of the bank's loans reflects reasonable dispersion throughout the assessment area, and loan distribution reflects reasonable penetration among individuals of different income levels. Neither GWJ nor this Reserve Bank has received any Community Reinvestment Act (CRA) related complaints since the previous evaluation.

SCOPE OF EXAMINATION

GWJ's CRA performance was evaluated using the Small Bank 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 area, including asset size, financial condition, competition, and the economic and demographic characteristics of the bank's assessment area.

GWJ maintains one delineated assessment area, a portion of the South Bend-Mishawaka, IN-MI Metropolitan Statistical Area (MSA) #43780, which consists of Cass County, Michigan in its entirety. A full scope evaluation was conducted based on the bank's operations, deposit market share, branch and automated teller machine (ATM) concentration, volume of residential real estate lending, economic and demographic characteristics, and an evaluation of the needs of the communities in the bank's assessment area. This evaluation focused solely on residential real estate lending. For geographic distribution, only residential real estate loans originated in 2022-2023 were considered in the evaluation, as prior to that, the bank's assessment area did not include any low-, or moderate-income (LMI) census tracts, and therefore would not provide for a meaningful analysis. The time period covered in this review is May 21, 2019, to December 31, 2023.

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 21 quarter average loan-to-deposit ratio (March 31, 2019, through March 31, 2024) was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's residential real estate loans originated from May 21, 2019, through December 31, 2023, were reviewed to determine the percentage of loans originated in the assessment area.

- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s residential real estate loans originated in the assessment area, from May 21, 2019, through December 31, 2023, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate- income.
- ***Lending to Borrowers of Different Income Levels*** – The bank’s residential real estate loans originated in the assessment area, from May 21, 2019, through December 31, 2023, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income.
- ***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.

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 organizations contacted had affordable housing and economic development focuses.

DESCRIPTION OF INSTITUTION

GWJ is a wholly owned subsidiary of Jones Bancorp, a one-bank holding company located in Marcellus, Michigan. GWJ is an intrastate bank with three locations including the main office in Marcellus, Michigan and branches in Cassopolis, Michigan and Edwardsburg, Michigan. All three offices are located in Cass County, Michigan. The bank operates three cash-only ATMs, one at each office location. All of the bank’s existing operations reside in middle-income census tracts. Since the previous evaluation, the bank has not closed or opened any branches or ATMs within the assessment area.

As of the June 30, 2023, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, GWJ ranks second out of four financial institutions operating in the assessment area. The bank held approximately \$111.4 million in deposits, representing a market share of 26.5 percent. Fifth Third Bank, National Association, held the largest market share at 44.8 percent, and The Huntington National Bank, was just below GWJ with 22.5 percent. According to the March 31, 2024, Uniform Bank Performance Report (UBPR), GWJ reported total assets of \$124.3 million. GWJ provides a range of traditional loan and deposit products and services. While the bank is primarily a commercial and residential real estate lender, it operates in a predominately rural area and offers agricultural and consumer loan products. However, given a shift in assessment area credit needs, the demand for agricultural loans has declined. Traditional deposit products consist of checking, savings, and certificates of deposit. Overall, deposits have experienced a 138.8 percent increase since the previous evaluation. This is largely attributed to GWJ’s Cannabis Banking Business Program. The bank maintains a website (www.gwjonesbank.com) that provides information on loan and deposit products, online banking, and other bank services. Online and mobile banking

allows customers to access and monitor their accounts, deposit and transfer funds, and pay bills.

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

Composition of Loan Portfolio as of March 31, 2024 (000's)		
Type	\$	%
Agricultural	1,232	5.0
Commercial	10,044	40.4
Consumer	3,747	15.1
Residential Real Estate	9,531	38.3
Other	309	1.2
Total	24,863	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 May 20, 2019.

DESCRIPTION OF ASSESSMENT AREA¹

GWJ is an intrastate bank that operates in the South Bend-Mishawaka IN-MI Metropolitan Statistical Area (MSA) #43780. Although the MSA includes portions of both Michigan and Indiana, the bank only delineates the portion located within Michigan, which consists of Cass County in its entirety. Since the previous evaluation, the bank no longer delineates the partial county of Van Buren as part of the Kalamazoo-Portage, MI MSA or the partial county of St. Joseph in Non-MSA MI due to these portions extending substantially beyond the South Bend-Mishawaka, IN-MI MSA boundary.

GWJ’s delineated assessment area includes 15 census tracts, with two designated as moderate-income, 10 middle-income, and three are designated as upper-income census tracts. There are no low- or unknown-income census tracts within the assessment area and there are no middle-income tracts designated by the FFIEC as underserved or distressed.

¹ Census tract designations are based on American Community Survey income data. For years 2022 and after, the designations are based on 2016-2020 ACS data. For years 2021 and before, the designations are based on 2011-2015 ACS data. For examinations that include performance before and after 2022, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

Changes to the 2020 Decennial Census and the American Community Survey for the period of 2016-2020 resulted in the number of census tracts in Cass County increasing from 11 to 15.

Tract Designation Change Data

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). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	0	0	0
Moderate	0	2	2
Middle	11	10	-1
Upper	0	3	3
Unknown	0	0	0
Total	11	15	4
<i>Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020</i>			

2023 South Bend-Mishawaka, IN-MI MSA 43780 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	2,897	19.8
Moderate	2	13.3	1,943	13.3	338	17.4	2,880	19.6
Middle	10	66.7	9,591	65.4	992	10.3	2,868	19.6
Upper	3	20.0	3,127	21.3	96	3.1	6,016	41.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	15	100.0	14,661	100.0	1,426	9.7	14,661	100.0
	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	3,927	2,387	13.8	60.8	787	20.0	753	19.2
Middle	16,655	11,326	65.7	68.0	2,766	16.6	2,563	15.4
Upper	5,824	3,539	20.5	60.8	421	7.2	1,864	32.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	26,406	17,252	100.0	65.3	3,974	15.0	5,180	19.6
	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	196	12.3	182	12.6	13	11.2	1	3.2
Middle	1,132	71.1	1,019	70.5	90	77.6	23	74.2
Upper	265	16.6	245	16.9	13	11.2	7	22.6
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,593	100.0	1,446	100.0	116	100.0	31	100.0
Percentage of Total Businesses:				90.8	7.3	1.9		
	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	14	8.7	14	9.0	0	0.0	0	0.0
Middle	113	70.2	111	71.2	2	40.0	0	0.0
Upper	34	21.1	31	19.9	3	60.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	161	100.0	156	100.0	5	100.0	0	0.0
Percentage of Total Farms:				96.9	3.1	0.0		
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Population Change

According to U.S. Census Bureau American Community Survey (ACS) data, population in the assessment area has been relatively stable, experiencing less than 1.0 percent decline from 2015 to 2020. Comparatively, the entire MSA and the state of Michigan also have maintained relatively stable population changes at slight increases of 1.7 percent and 1.8 percent, respectively. The assessment area is comprised mainly of rural communities. According to community representatives, rural communities in southwestern Michigan have benefited from small business growth and a quality of life which is appealing to residents and may contribute to small amounts of population growth. Community representatives also stated that in addition to the quality of life, the cost of living in the assessment area versus a more metropolitan area has contributed to the stability of the population. The following table presents population trends for the assessment area, the entire South Bend-Mishawaka, IN-MI MSA and the state of Michigan from 2015 to 2020.

Population Change 2023 South Bend-Mishawaka, IN-MI MSA #43780			
Area	2015 Population	2020 Population	Percent Change (%)
2023 South Bend-Mishawaka, IN-MI MSA 43780	51,952	51,589	-0.7
South Bend-Mishawaka, IN-MI MSA	319,198	324,501	1.7
Michigan	9,900,571	10,077,331	1.8
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census</i>			

Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 14,661 families, of which 19.8 are designated as low-income, 19.6 percent are moderate-income, 19.6 percent are middle-income, and 41.0 percent are upper-income. Families living below the poverty level within the assessment area (9.7 percent), is consistent with the state of Michigan’s poverty rate of 9.2 percent. The assessment area experienced an increase in median family income (MFI) between 2015 and 2020 (13.9 percent), consistent with the growth experienced in the entire MSA and the state of Michigan at 11.7 percent and 11.0 percent respectively, during the same time period. Community representatives indicated that the proximity to local metropolitan areas provide more opportunity for employment, but the ability to work remote and benefit from the lower cost of living has greatly benefited the assessment area’s median family income.

Median Family Income Change 2023 South Bend-Mishawaka, IN-MI MSA 43780			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percent Change (%)
2023 South Bend-Mishawaka, IN-MI MSA 43780	61,409	69,948	13.9
South Bend-Mishawaka, IN-MI MSA	63,033	70,437	11.7
Michigan	68,010	75,470	11.0
<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 26,406 housing units within the assessment area. The majority of the housing units are owner-occupied at 65.3 percent, while vacant units follow at 19.6 percent. Rental units comprise 15.0 percent of the total housing units in the assessment area. The majority (65.7 percent) of the assessment area’s owner-occupied housing are located in middle-income census tracts, while only 13.8 percent are located in moderate-income tracts within the assessment area.

The median gross rent in the assessment area, at \$724, is more favorable than both the gross median rents in the entire MSA, and the state of Michigan, at \$816 and \$892, respectively.

A method to understand poverty and housing outcomes is calculating housing cost burden, which is presented in the following table. The housing cost burden is the ratio of a household’s gross monthly housing costs to the household’s gross monthly income. Housing cost burden, as defined by the U.S. Department of Housing and Urban Development, takes these quantitative ratios, and assigns qualitative values to them. If a household’s housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened. The percentage of low-income renters in the assessment area, although greater than 50.0 percent of the renters, at 61.7 percent of overburdened renters was more favorable than percentages of the entire MSA, and the state of Michigan. Similarly, the moderate-income renters in the assessment area, at only 23.1 percent, are below the percentage of overburdened renters in the entire MSA and the state of Michigan. The rate of all owners in the assessment area that are cost burdened, is consistent with both the rate of owners in the entire MSA and the state of Michigan. Across the assessment area and the state as a whole, moderate-income renters and homeowners are overburdened at a much lower rate than their low-income counterparts.

Community representatives stated that housing is a primary need in the assessment area regardless of income level, and the availability of affordable housing is limited. Although there is housing demand, the area is challenged by a lack of both available and quality housing. There is also a need for reinvestment in the current housing units, as the stock of housing in the assessment

area is aging. The median age of housing stock in the assessment area is 56 years old, which exceeds both the MSA (53 years) in its entirety and the state of Michigan (49 years).

Housing Cost Burden						
2023 South Bend-Mishawaka, IN-MI MSA 43780						
Area	Cost Burden – Renters (%)			Cost Burden – Owners (%)		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
2023 South Bend-Mishawaka, IN-MI MSA 43780	61.7	23.1	34.8	55.2	29.7	16.1
South Bend-Mishawaka, IN-MI MSA	72.7	33.6	40.4	57.7	20.9	14.5
Michigan	74.8	32.5	43.0	61.2	26.1	17.7
<i>Cost Burden is housing cost that equals 30.0 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy</i>						

Employment Conditions

The assessment area experienced stable unemployment rates within the past five years (2018-2022), with a notable increase in 2020 due to the widespread economic downturn caused by the COVID-19 pandemic. Additional statistical data, supplied by the Bureau of Labor Statistics, indicated continued improvement as 2022 unemployment rates decreased to percentages comparable to 2019. Community representatives noted that employment conditions and opportunities in the area appear to be consistent and favorable. They have not experienced waves of permanent layoffs, instead experiencing temporary layoffs for reorganization where workers are typically brought back. However, community representatives also stated that employers have sometimes had difficulty finding skilled workers to fill positions. The unemployment rates for the assessment area, the MSA in its entirety, and the state of Michigan are shown in the following table.

Unemployment Rates					
2023 South Bend-Mishawaka, IN-MI MSA 43780					
Area	2018	2019	2020	2021	2022
2023 South Bend-Mishawaka, IN-MI MSA 43780	4.1%	4.3%	9.1%	5.1%	4.5%
South Bend-Mishawaka, IN-MI MSA	3.6%	3.7%	8.7%	4.6%	3.6%
Michigan	4.2%	4.1%	10.0%	5.8%	4.2%
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

Industry Characteristics

Based on data from the Bureau of Labor Statistics, manufacturing employment accounts for 28.2 percent of all jobs in assessment area. Accommodation and food services and retail trade account for 13.7 percent and 10.1 percent of private sector employment, respectively. A community representative stated that there is a cohort of employers serving as a talent action team engaging in the interest of providing training opportunities to build skilled workers. Area employers such as Hydro Aluminum, Midwest Energy Cooperative, and Kayna Machine have been working with the cohort. They also were identified as the backbone of the business sector.

Community Representatives

Two community representatives were contacted to provide information regarding local economic and demographic conditions. The representatives provided information on affordable housing, employment, and economic development needs within the assessment area. Representatives stated the primary assessment area need is affordable housing, both quality housing and quantity of housing. A lack of available housing is a concern throughout the area. Another housing need is the reinvestment into the current housing stock. The housing supply in the area is limited, in addition to its aging conditions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

GWJ's performance relative to the lending test is Satisfactory. The bank's loan-to-deposit ratio (LTD) is less than reasonable, considering the bank's size, complexity, capacity to lend, financial condition, and assessment area credit needs. The bank originated a majority of its loans within its assessment area. The geographic distribution of the bank's loans shows reasonable dispersion throughout the assessment area, and lending activity reflects reasonable penetration among individuals of different incomes.

Loan-to-Deposit Ratio

GWJ's LTD ratio is less than reasonable considering the bank's asset size, financial condition, the bank's capacity to lend, and competition within the bank's assessment area. As of March 31, 2024, the bank's LTD ratio averaged 29.9 percent over a 21-quarter period. This represents a 17.3 percent decrease since the previous evaluation (47.2 percent over 16-quarter period). This decline can be attributed to the bank's deposits experiencing significant growth largely due to the bank's venture into the Cannabis Related Business Banking Program. Additionally, since the previous evaluation, the bank has experienced a significant decrease in loan demand, largely in part to the credit needs of the assessment area shifting and competition from other financial institutions.

The following table compares the bank’s LTD ratio with local competitors, which evidences the bank’s LTD ratio that significantly fell below local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	21 – Quarter Average
G.W. Jones Exchange Bank	29.9
Competitors	
Sturgis Bank and Trust Company	91.8
Horizon Bank	77.2
Farmers State Bank	76.0
First State Bank Decatur	63.0
Kalamazoo County State Bank	50.2

Assessment Area Concentration

GWJ originated a majority of its loans by number in the bank’s assessment area. During the evaluation period, the bank originated a total of 66.7 percent of residential real estate loans by number and 43.7 percent of residential real estate loans by dollar volume inside the assessment area. Performance indicates the bank is actively serving the credits needs of its communities. Although the bank’s overall assessment area concentration has decreased by number (77.8 percent) and dollar volume (75.6 percent) since the previous evaluation, the bank is still originating a majority of their loans by number within the assessment area. The overall decrease can be attributed to both a decrease in overall loan demand, and the demand for loans for vacation homes located outside of the bank’s assessment area in Michigan’s upper peninsula. The following table presents GWJ’s lending inside and outside its assessment area for residential real estate loans.

Inside and Outside the Assessment Area 2023 South Bend -Mishawaka, IN- MI MSA Lending								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Real Estate Loans	36	66.7	2,902	43.7	18	33.3	3,738	56.3
TOTAL LOANS	36	66.7	2,902	43.7	18	33.3	3,738	56.3

Geographic Distribution of Loans

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 data². Loans made in calendar years 2022 and after were analyzed based on income designations from the 2016-2020 American Community Survey data.

The geographic distribution of the bank's residential real estate loans reflects a reasonable dispersion of lending throughout the assessment area with no conspicuous gaps in lending identified. In 2023, the bank only originated loans in five of the 15 tracts, with no loans originated in the two moderate tracts. In 2022, the bank only originated loans in four of the 15 tracts, they did have originations in one of the two moderate tracts. However, the number of tracts in the bank's assessment area increased along with the bank's overall levels of lending decreasing. For the review of the bank's geographic distribution, only loans originated in 2022 and 2023 were considered as the bank's assessment area prior to 2022 did not include any LMI census tracts. Also, the analysis will focus on the bank's performance within moderate-income census tracts given the bank's current assessment area does not contain any low-income census tracts. A detailed discussion of residential real estate loans in relation to census demographics is provided below.

Residential Real Estate Lending

Residential real estate lending reflects a reasonable dispersion throughout the assessment area. With only 13 total loans in the combined sample for both 2022 and 2023, the bank's 2022 performance more heavily impacted the overall conclusion having the majority of the loans in the sample. In 2023, the bank did not originate any residential real estate loans in moderate-income census tracts, which is below the owner-occupied units (13.8 percent) in those tracts. However, in 2022, the bank originated 12.5 percent of their residential real estate loans in the moderate-income census tract, which is consistent with the percentage of owner-occupied units (13.8 percent) in those tracts. The following tables present the bank's 2022 and 2023 geographic distribution of residential real estate loans during the review period. Tables for the bank's 2019, 2020, and 2021 residential real estate lending can be found in Appendix B.

² The median family income levels (MFI) for census tracts are calculated using income data from the U.S. Census Bureau's American Community Survey and geographic designations from the Office of Management and Budget and are updated approximately every five years. (.12(m) Income Levels)

Distribution of 2022 and 2023 Residential Lending By Income Level of Geography									
Assessment Area: South Bend-Mishawaka, IN-MI MSA 43780									
Geographic Income Level	Bank Loans By Year								Owner Occupied Units %
	2022				2023				
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	1	12.5	50	10.4	0	0.0	0	0.0	13.8
Middle	7	87.5	431	89.6	4	80.0	253	61.3	65.7
Upper	0	0.0	0	0.0	1	20.0	160	38.7	20.5
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	8	100.0	481	100.0	5	100.0	413	100.0	100.0

Source: 2023 FFIEC Census 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

For the purposes of this review, loans made in calendar year 2021 or before were analyzed based on 2011-2015 American Community Survey income designations for individuals³. Loans made in calendar year 2022 or after were analyzed based on 2016-2020 American Community Survey income designations for individuals.

GWJ’s distribution of lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals. The analysis was driven by the bank’s performance in 2022 and 2023. The bank’s performance in 2019, 2020, and 2021 will only be used for comparison purposes. A detailed discussion of residential real estate loans in relation to census demographics is provided below.

Residential Real Estate Lending

The distribution of residential real estate loans reflects reasonable penetration among borrowers of different income levels. In 2023, GWJ originated 40.0 percent of residential real estate loans to low-income borrowers, which exceeded the assessment area demographic at 19.8 percent, by number volume. However, the bank originated no loans to moderate-income borrowers, compared to the assessment area demographics at 19.6 percent. In 2022, the bank’s residential real estate lending to low-income borrowers of 12.5 percent was below the assessment area demographics at 19.8 percent, while the bank’s lending to moderate-income borrowers at 50.0 percent exceeded assessment area demographics at 19.6 percent. The bank’s performance in 2019, 2020, and 2021 was consistent with the bank’s performance in 2022 and 2023. The following tables presents GWJ’s

³ Income levels for individuals are calculated annually by the FFIEC using geographic definitions from the OMB, income data from the ACS and the Consumer Price Index from the Congressional Budget Office (.12(m) Income Levels).

borrower distribution for 2022 and 2023 residential real estate loans. Tables for the bank’s 2019, 2020, and 2021 residential real estate lending can be found in Appendix B.

Distribution of 2022 and 2023 Residential Lending By Borrower Income Level										
Assessment Area: South Bend-Mishawaka, IN-MI MSA 43780										
Borrower Income Level	Bank Loans By Year								Families by Family Income %	
	2022				2023					
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%		
Low	1	12.5	50	10.4	2	40.0	86	20.8	19.8	
Moderate	4	50.0	263	54.7	0	0.0	0	0.0	19.6	
Middle	2	25.0	80	16.6	2	40.0	187	45.3	19.6	
Upper	1	12.5	88	18.3	1	20.0	140	33.9	41.0	
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0	
Total	8	100.0	481	100.0	5	100.0	413	100.0	100.0	

*Source: 2023 FFIEC Census Data
 2016-2020 U.S. Census Bureau: American Community Survey*

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

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

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.

APPENDIX B – Additional Demographic and Lending Data Tables

2022 South Bend-Mishawaka, IN-MI MSA 43780 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	2,897	19.8
Moderate	2	13.3	1,943	13.3	338	17.4	2,880	19.6
Middle	10	66.7	9,591	65.4	992	10.3	2,868	19.6
Upper	3	20.0	3,127	21.3	96	3.1	6,016	41.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	15	100.0	14,661	100.0	1,426	9.7	14,661	100.0
	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	3,927	2,387	13.8	60.8	787	20.0	753	19.2
Middle	16,655	11,326	65.7	68.0	2,766	16.6	2,563	15.4
Upper	5,824	3,539	20.5	60.8	421	7.2	1,864	32.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	26,406	17,252	100.0	65.3	3,974	15.0	5,180	19.6
	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	199	12.6	184	12.8	14	12.1	1	3.1
Middle	1,121	70.9	1,007	70.3	90	77.6	24	75.0
Upper	260	16.5	241	16.8	12	10.3	7	21.9
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,580	100.0	1,432	100.0	116	100.0	32	100.0
Percentage of Total Businesses:				90.6		7.3		2.0
	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	14	8.9	14	9.2	0	0.0	0	0.0
Middle	111	70.3	109	71.2	2	40.0	0	0.0
Upper	33	20.9	30	19.6	3	60.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	158	100.0	153	100.0	5	100.0	0	0.0
Percentage of Total Farms:				96.8		3.2		0.0
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.								

2021 South Bend-Mishawaka, IN-MI MSA 43780 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	2,649	18.9
Moderate	0	0.0	0	0.0	0	0.0	2,778	19.8
Middle	11	100.0	14,002	100.0	1,435	10.2	3,060	21.9
Upper	0	0.0	0	0.0	0	0.0	5,515	39.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	11	100.0	14,002	100.0	1,435	10.2	14,002	100.0
	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	0	0	0.0	0.0	0	0.0	0	0.0
Middle	25,909	16,605	100.0	64.1	3,496	13.5	5,808	22.4
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
Total AA	25,909	16,605	100.0	64.1	3,496	13.5	5,808	22.4
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1,607	100.0	1,457	100.0	117	100.0	33	100.0
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
Total AA	1,607	100.0	1,457	100.0	117	100.0	33	100.0
Percentage of Total Businesses:				90.7		7.3		2.1
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	165	100.0	160	100.0	5	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
Total AA	165	100.0	160	100.0	5	100.0	0	0.0
Percentage of Total Farms:				97.0		3.0		0.0
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.								

2020 South Bend-Mishawaka, IN-MI MSA 43780 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	2,649	18.9
Moderate	0	0.0	0	0.0	0	0.0	2,778	19.8
Middle	11	100.0	14,002	100.0	1,435	10.2	3,060	21.9
Upper	0	0.0	0	0.0	0	0.0	5,515	39.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	11	100.0	14,002	100.0	1,435	10.2	14,002	100.0
	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	0	0	0.0	0.0	0	0.0	0	0.0
Middle	25,909	16,605	100.0	64.1	3,496	13.5	5,808	22.4
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
Total AA	25,909	16,605	100.0	64.1	3,496	13.5	5,808	22.4
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1,620	100.0	1,474	100.0	116	100.0	30	100.0
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
Total AA	1,620	100.0	1,474	100.0	116	100.0	30	100.0
Percentage of Total Businesses:				91.0		7.2		1.9
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	173	100.0	168	100.0	5	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
Total AA	173	100.0	168	100.0	5	100.0	0	0.0
Percentage of Total Farms:				97.1		2.9		0.0
Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

2019 South Bend-Mishawaka, IN-MI MSA 43780 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	2,649	18.9
Moderate	0	0.0	0	0.0	0	0.0	2,778	19.8
Middle	11	100.0	14,002	100.0	1,435	10.2	3,060	21.9
Upper	0	0.0	0	0.0	0	0.0	5,515	39.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	11	100.0	14,002	100.0	1,435	10.2	14,002	100.0
	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	0	0	0.0	0.0	0	0.0	0	0.0
Middle	25,909	16,605	100.0	64.1	3,496	13.5	5,808	22.4
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
Total AA	25,909	16,605	100.0	64.1	3,496	13.5	5,808	22.4
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1,628	100.0	1,472	100.0	125	100.0	31	100.0
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
Total AA	1,628	100.0	1,472	100.0	125	100.0	31	100.0
Percentage of Total Businesses:				90.4		7.7		1.9
	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	0	0.0	0	0.0	0	0.0	0	0.0
Middle	180	100.0	175	100.0	5	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
Total AA	180	100.0	175	100.0	5	100.0	0	0.0
Percentage of Total Farms:				97.2		2.8		0.0
Source: 2019 FFIEC Census Data 2019 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 2020 and 2021 Residential Lending By Income Level of Geography									
Assessment Area: South Bend-Mishawaka, IN-MI MSA 43780									
Geographic Income Level	Bank Loans By Year								Owner Occupied Units %
	2020				2021				
	#	%	\$(000)	%	#	%	\$(000)	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Middle	8	100.0	821	100.0	12	100.0	987	100.0	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
Total	8	100.0	821	100.0	12	100.0	987	100.0	100.0

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 2019 Residential Lending By Income Level of Geography					
Assessment Area: South Bend-Mishawaka, IN-MI MSA 43780					
Geographic Income Level	Bank Loans				Owner Occupied Units %
	#	%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.0
Middle	3	100.0	200	100.0	100.0
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	
Total	3	100.0	200	100.0	100.0

Source: 2019 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 2020 and 2021 Residential Lending By Borrower Income Level									
Assessment Area: South Bend-Mishawaka, IN-MI MSA 43780									
Borrower Income Level	Bank Loans By Year								Families by Family Income %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
Low	2	25.0	110	13.4	3	25.0	62	6.3	18.9
Moderate	1	12.5	195	23.8	1	8.3	20	2.0	19.8
Middle	4	50.0	257	31.3	2	16.7	212	21.5	21.9
Upper	1	12.5	260	31.7	6	50.0	693	70.2	39.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Total	8	100.0	821	100.0	12	100.0	987	100.0	100.0

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 2019 Residential Lending By Borrower Income Level					
Assessment Area: South Bend-Mishawaka, IN-MI MSA 43780					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	%	
Low	1	33.3	45	22.5	18.9
Moderate	0	0.0	0	0.0	19.8
Middle	0	0.0	0	0.0	21.9
Upper	2	66.7	155	77.5	39.4
Unknown	0	0.0	0	0.0	0.0
Total	3	100.0	200	100.0	100.0

Source: 2019 FFIEC Census Data
 2011-2015 U.S. Census Bureau: American Community Survey
 Note: Percentages may not total 100.0 percent due to rounding.

APPENDIX C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	<ul style="list-style-type: none"> <i>Loan-to-Deposit Ratio</i> – A 21 quarter average loan-to-deposit ratio (March 31, 2019, through March 31, 2024) was calculated for the bank and compared to a sample of local competitors. <i>Lending in the Assessment Area</i> – The bank’s residential real estate loans originated from May 21, 2019, through December 31, 2023, were reviewed to determine the percentage of loans originated in the assessment area. <i>Geographic Distribution of Lending in the Assessment Area</i> – The bank’s residential real estate loans originated in the assessment area, from May 21, 2019, through December 31, 2023, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels. <i>Lending to Borrowers of Different Income Levels</i> – The bank’s residential real estate loans originated in the assessment area, from May 21, 2019, through December 31, 2023, were reviewed to determine the distribution among borrowers of different income levels. 		
FINANCIAL INSTITUTION G.W. Jones Exchange Bank			PRODUCTS REVIEWED Residential Real Estate
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
None			
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
South Bend – Mishawaka, MI-IN MSA #43780	Full scope	Main Office – Marcellus, MI	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.⁴

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

⁴ 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 nonmetropolitan 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: 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).