

# **PUBLIC DISCLOSURE**

December 5, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Lee County Bank  
RSSD# 625140

801 Avenue F  
Fort Madison, Iowa 52627

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.

## TABLE OF CONTENTS

PERFORMANCE EVALUATION .....	2
SCOPE OF EXAMINATION .....	2
DESCRIPTION OF INSTITUTION.....	3
DESCRIPTION OF ASSESSMENT AREA .....	4
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA .....	8
LENDING TEST .....	8
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	13
APPENDIX A – MAP OF ASSESSMENT AREA.....	14
APPENDIX B – SCOPE OF EXAMINATION .....	15
APPENDIX C – GLOSSARY .....	16

## BANK'S CRA RATING

Lee County Bank is rated Satisfactory.

Lee County Bank is meeting the credit needs of its community based on an analysis of its lending activities. The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition and assessment area credit needs. A majority of loans are in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and the lending activity reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Neither Lee County Bank, nor this Reserve Bank received any Community Reinvestment (CRA)-related complaints since the previous evaluation.

## SCOPE OF EXAMINATION

Lee County Bank's performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC) Small Institution Examination Procedures. Contextual information considered in the evaluation of the bank's performance includes the institution's assessment area, asset size, financial condition, competition, and economic and demographic characteristics. The non-metropolitan assessment area includes the northern six census tracts in Lee County, Iowa. Lending activities were assessed for the bank's major products, which include home mortgage and small business loans.

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 17-quarter average loan-to-deposit ratio was calculated for the bank and compared to its national peer and a sample of local competitors.
- ***Lending in the Assessment Area*** – Samples of the bank's home mortgage and small business loans originated from January 1, 2021 to December 31, 2021, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – Samples of the bank's home mortgage and small business loans originated in the assessment area, from January 1, 2021 to December 31, 2021, 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 and to Businesses of Different Sizes*** – Samples of the bank's home mortgage and small business loans originated in the assessment area, from January 1, 2021 to December 31, 2021, were reviewed to determine the distribution among

borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses 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.

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

Lee County Bank is a subsidiary of Two Rivers Financial Group, a two-bank holding company located in Burlington, Iowa. The bank operates its main office and a drive through facility in Fort Madison; both locations have full service automated teller machines (ATMs). In addition, the bank operates a cash-only ATM located at the Southeast Iowa Regional Medical Center in Fort Madison and a branch office with a cash-only ATM in the city of West Point, Iowa, located northwest of Fort Madison. The bank has not opened or closed any branches or ATMs since the previous evaluation.

According to the Uniform Bank Performance Report (UBPR), the bank reported total assets of \$238.3 million as of June 30, 2022. Lee County Bank offers residential real estate, commercial, agricultural, and consumer loans. The loan portfolio consists primarily of residential real estate at 57.4 percent of the portfolio followed by commercial at 18.0 percent, agricultural at 16.5 percent, and consumer loans at 4.8 percent. Details of the bank’s loan portfolio mix are shown in the table below.

According to the Federal Deposit Insurance Corporation’s (FDIC’s) Deposit Market Share Report as of June 30, 2022, the banked ranked third of six financial institutions operating within the assessment area with 16.1 percent of the market share. The financial institutions comprising the largest percentage of the deposit market share are Pilot Grove Savings Bank (42.6 percent) and Connection Bank (25.4 percent).

Composition of Loan Portfolio as of June 30, 2022 (\$ are in 000s)		
Type	\$	%
Residential Real Estate	117,339	57.4
Commercial	36,778	18.0
Agricultural	33,616	16.5
Consumer	9,796	4.8
Other	6,783	3.3
<b>Total</b>	<b>204,312</b>	<b>100.0</b>
<i>Note: Percentage may not total 100.0 percent due to rounding</i>		

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 September 10, 2018.

#### **DESCRIPTION OF ASSESSMENT AREA**

Lee County Bank is an intrastate bank that operates in southeastern non-metropolitan (Non-MSA) Iowa. The assessment area includes six census tracts from the 11 total census tracts that make up Lee County, Iowa. Five of the six census tracts (4901.00, 4903.00, 4904.00, 4905.00, and 4911.00) are designated middle-income, while census tract 4902.00 represents the one moderate-income census tract. There are no low- or upper-income census tracts, nor are there any middle-income census tracts that are designated as underserved or distressed within the assessment area. The assessment area remains unchanged from the previous performance evaluation.

Additional assessment area demographic information is provided in the following table.

Assessment Area: 2021 IA Non MSA								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	1,102	19.9
Moderate-income	1	16.7	1,094	19.8	171	15.6	1,064	19.2
Middle-income	5	83.3	4,437	80.2	371	8.4	1,368	24.7
Upper-income	0	0.0	0	0.0	0	0.0	1,997	36.1
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>6</b>	<b>100.0</b>	<b>5,531</b>	<b>100.0</b>	<b>542</b>	<b>9.8</b>	<b>5,531</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	2,252	1,233	18.4	54.8	512	22.7	507	22.5
Middle-income	7,404	5,455	81.6	73.7	1,277	17.2	672	9.1
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>9,656</b>	<b>6,688</b>	<b>100.0</b>	<b>69.3</b>	<b>1,789</b>	<b>18.5</b>	<b>1,179</b>	<b>12.2</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	217	26.2	193	26.3	20	25.3	4	28.6
Middle-income	611	73.8	542	73.7	59	74.7	10	71.4
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>828</b>	<b>100.0</b>	<b>735</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>
		<b>Percentage of Total Businesses:</b>		<b>88.8</b>		<b>9.5</b>		<b>1.7</b>
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

## Population Characteristics

According to the 2015 U.S. Census Bureau, the populations in Lee County, IA and rural Non-MSA Iowa have trended downward from 2010 to 2015. During this timeframe, the Lee County population decreased 1.4 percent and the Non-MSA Iowa decreased 0.9 percent. A community representative stated that the younger population is migrating to more urban areas for greater employment opportunities. Conversely, the state of Iowa’s population increased 1.5 percent over the same period indicating that new residents continue to settle within the larger urban areas. The city of Fort Madison, Iowa has recently begun construction of a marina along the Mississippi River to help encourage more recreational and entertainment opportunities to further entice residents to stay and help stabilize the population.

Population Change			
Area	2010 Population	2015 Population	Percent Change (%)
Lee County, IA	35,862	35,369	-1.4
NonMSA Iowa	1,261,493	1,250,756	-0.9
Iowa	3,046,355	3,093,526	1.5

*Source: 2010 U.S. Census Bureau Decennial Census  
2011 - 2015 U.S. Census Bureau American Community Survey*

### Income Characteristics

The median family incomes have increased modestly from 2010 to 2015. As shown in the table below, Lee County had the highest increase at only 1.0 percent followed by the Non-MSA Iowa at 0.7 percent, while the state of Iowa increased only slightly at 0.2 percent. According to community representatives, more manufacturing companies have established locations in the area, and with the smaller populations, wages have begun to increase in conjunction with a smaller available workforce.

Median Family Income Change 2010 and 2015			
Area	2010 Median Family Income (\$)	2015 Median Family Income (\$)	Percentage Change (%)
Lee County, IA	55,134	55,694	1.0
NonMSA Iowa	61,224	61,681	0.7
Iowa	67,302	67,466	0.2

*Source: 2006 - 2010 U.S. Census Bureau American Community Survey  
2011 - 2015 U.S. Census Bureau American Community Survey  
Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars*

### Housing Characteristics

According to the 2020 FFIEC census data, there are 9,656 total housing units in the assessment area with 23.3 percent located in the one moderate-income census tract. Over half, 54.8 percent, of the housing units in the moderate-income tract are owner-occupied units, while 22.7 percent are rental units. Additionally, a notable 22.5 percent of the housing units in the moderate-income census tract are vacant. Home mortgage trends reflect steady demand for home purchases in Lee County of 236 and 228 in 2018 and 2019, respectively, with a notable increase of 334 total home mortgages in 2020. A community representative stated that area housing demand increased during the COVID-19 pandemic, and prices are continuing to rise as a result.

A method in understanding poverty and housing outcomes is calculating housing cost burden, which is outlined in the table below. 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 Department of Housing and Urban Development (HUD), 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. If housing cost is above 50.0 percent, then the household is severely housing cost burdened.

Within Lee County, 41.3 percent of all renters are considered housing cost burdened. Of the cost burdened renters, 73.0 percent are low-income, and 24.2 percent are moderate-income renters. For homeowners, only 15.5 percent are experiencing housing cost burden within Lee County, but like renters, the majority are low- and moderate-income owners at 58.4 and 16.3 percent, respectively. A community representative stated that housing costs throughout the assessment area have increased as more individuals sought home ownership.

2021 IA Non MSA Housing Cost Burden						
Area	Cost Burden – Renters (%)			Cost Burden – Owners (%)		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Lee County, IA	73.0	24.2	41.3	58.4	16.3	15.5
NonMSA Iowa	65.2	16.3	32.4	55.7	20.9	14.7
Iowa	72.2	24.1	38.0	58.9	25.3	15.2

*Cost Burden is housing cost that equals 30 percent or more of household income*  
*Source: U.S. Department of Housing and Urban Development (HUD), 2014-2018 Comprehensive Housing Affordability Strategy*

### Employment Conditions

As the following table illustrates, unemployment rates trended downward within Lee County, the Non-MSA Iowa, and the state of Iowa from 2017 through 2019. In 2020, however, the trend reversed with the onset of the COVID-19 pandemic with the unemployment rates nearly doubling across all three areas. In 2021, the unemployment rates recovered somewhat but remained notably higher than pre-pandemic levels. In Lee County, the unemployment rate has tracked at least one percentage point higher than that of the Non-MSA Iowa and the state of Iowa. A community representative commented that Lee County’s leading industry is manufacturing, which was heavily impacted by the COVID-19 pandemic as well as the hospitality and food service sectors. Manufacturers impacted by the COVID-19 pandemic have recently increased production, and expanded in the area, and the hospitality and restaurants have also steadily reopened. The Iowa State Penitentiary Fort Madison is also located within the assessment area and provides steady employment. Further, a large fertilizer company and a national food processor have established facilities in the assessment area, which have helped to improve employment conditions.

2021 IA Non MSA Unemployment Rates (%)					
Area	2017	2018	2019	2020	2021
Lee County, IA	5.3	4.0	3.7	6.4	5.9
NonMSA Iowa	3.2	2.6	2.7	4.8	4.1
Iowa	3.1	2.5	2.6	5.1	4.2

*Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics*



## Community Representatives

Two community representatives were contacted to gain further insight on local housing availability, family income trends, employment conditions, and economic development needs. Both representatives stated that businesses are rebounding from the COVID-19 pandemic as some of the large manufacturing companies are returning or expanding, which has helped many of the smaller businesses in the area. Challenges still remain, including slowing and reversing the trend of population loss by revitalizing the downtown river front area with a marina to be followed by potential entertainment and recreational opportunities. With emphasis on initiatives at increasing and retaining population, more focus will be needed to increase the availability of affordable housing.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

*Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.*

## LENDING TEST

Lee County Bank's performance relative to the lending test is rated Satisfactory. Overall, the bank is meeting the credit needs of its assessment area based on an analysis of the bank's lending activities. The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The majority of loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes. Neither Lee County Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

## Loan-to-Deposit Ratio

Lee County Bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The table below shows the bank's 17-quarter average LTD ratio, June 30, 2018 through June 30, 2022, in comparison to local competitors. When comparing the bank's performance against local competition, Lee County Bank exceeds the

performance of all four local financial institutions. The bank's LTD ratio increased since the previous CRA performance evaluation when it was 92.3 percent.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	17 – Quarter Average
Lee County Bank	105.3
Competitors	
Connection Bank	89.6
Pilot Grove Savings Bank	87.9
Two Rivers Bank and Trust	85.8
Farmers Savings Bank	77.1

### Assessment Area Concentration

During the evaluation period, Lee County Bank made a majority of its loans in the assessment area, indicating the bank is actively serving the credit needs of its community. As the table outlines below, the bank originated 55.9 percent of its loans by volume in the assessment area. Of the home mortgage loans originated during the evaluation period, 51.9 percent by volume were originated in the assessment area. Further, of the small business loans originated, including 64 loans under the Paycheck Protection Program, 59.1 percent by volume were originated in the bank's assessment area.

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Loans	68	51.9	\$10,722	46.1	63	48.1	\$12,522	53.9
<b>Total Non-HMDA</b>	<b>68</b>	<b>51.9</b>	<b>\$10,722</b>	<b>46.1</b>	<b>63</b>	<b>48.1</b>	<b>\$12,522</b>	<b>53.9</b>
Small Business	94	59.1	\$3,930	62.6	65	40.9	\$2,345	37.4
<b>Total Small Bus. related</b>	<b>94</b>	<b>59.1</b>	<b>\$3,930</b>	<b>62.6</b>	<b>65</b>	<b>40.9</b>	<b>\$2,345</b>	<b>37.4</b>
<b>TOTAL LOANS</b>	<b>162</b>	<b>55.9</b>	<b>\$14,652</b>	<b>49.6</b>	<b>128</b>	<b>44.1</b>	<b>\$14,867</b>	<b>50.4</b>

### Geographic Distribution of Loans

A sample of the bank's home mortgage and small business loans originated inside the assessment area from January 1, 2021 through December 31, 2021, 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. Emphasis was placed on the home mortgage loans for the analysis as it is the primary product of the bank. Overall, Lee County Bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The analysis includes a sample of home mortgage and small business loans; considers the size and complexity of the bank; and focuses on loan penetration in the one moderate-income census tract as no low-income census tracts are located in the assessment area.

Additionally, a gap analysis was completed as part of the evaluation. Lee County Bank's assessment area is comprised of six census tracts consisting of one moderate- and five middle-income census tracts. The gap analysis indicates that home mortgage and small business loans were both originated within every census tract across the assessment area; therefore, no disparities are noted.

### Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. During the evaluation period, the bank originated 11.8 percent by volume in the moderate-income census tract. Although the bank's lending volume in the moderate-income census tract is below the percentage of owner-occupied housing units at 18.4 percent, this is deemed reasonable as nearly a quarter of the housing units in the moderate-income tract are vacant (22.5 percent), which typically require substantial funding to renovate, which was confirmed by a community representative. The community representative further stated that the city of Fort Madison recently adopted the Vacant Building Registration Program requiring owners of vacant structures to register with the city, while properly maintaining vacant units until they are occupied or demolished. The bank originated 88.2 percent of home mortgage loans in middle-income tracts, which correlates to the larger number of middle-income census tracts and larger percent of owner-occupied units at 81.6 percent.

The following table presents the bank's geographic distribution of home mortgage loans in 2021.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	Tract Income Levels	<b>Bank &amp; Demographic Comparison</b>				
		<b>2021</b>				
		<b>Count Bank</b>		<b>Dollar Bank</b>		<b>Owner Occupied % of Units</b>
<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>\$ %</b>			
<b>Totals</b>	Low	0	0.0	0	0.0	0.0
	Moderate	8	11.8	1,040	9.7	18.4
	Middle	60	88.2	9,682	90.3	81.6
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>68</b>	<b>100.0</b>	<b>10,722</b>	<b>100.0</b>	<b>100.0</b>

2021 FFIEC Census Data  
*Note: Percentages may not add to 100.0 percent due to rounding*

### Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. During the evaluation period, the bank originated 12.8 percent by volume in the

moderate-income census tract. While the volume of small business loans is below the 26.2 percent of total businesses in the moderate-income census tract, the bank’s percentage by dollar at 28.3 percent was slightly above the percent of total businesses. Additionally, the bank’s participation in the Paycheck Protection Program increased the volume of loans in the middle-income tracts thereby causing a temporary drop in the percentage of loans in the moderate-income tract. This is evidenced by the bank making the same number of loans in the moderate-income tract in the prior evaluation (12 loans) but resulting in a 41.4 percent of the loan volume. The bank’s percentage of small business loans within the middle-income census tracts (87.2 percent) exceeded the percentage of total businesses in middle-income census tracts (73.8 percent).

The following table presents the bank's geographic distribution of small business loans in 2021.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	Tract Income Levels	<b>Bank &amp; Demographic Comparison</b>				
		Count Bank		Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	12	12.8	1,113	28.3	26.2
	Middle	82	87.2	2,818	71.7	73.8
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>94</b>	<b>100.0</b>	<b>3,930</b>	<b>100.0</b>	<b>100.0</b>
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

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

An analysis of a sample of the bank’s home mortgage and small business loans was conducted to determine the level of lending to borrowers of different income levels and businesses of different revenues. Overall, the loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers and businesses of different sizes.

### **Home Mortgage Loans**

Lee County Bank’s distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. During the evaluation period, the bank originated 2.9 and 13.2 percent of its home mortgage loans to low- and moderate-income borrowers, respectively. The bank's performance was below the percentage of low- and moderate-income families in the assessment area at 19.9 and 19.2 percent, respectively. These disparities are largely due to the high

number of families in the moderate-income census tract living below the poverty level at 15.6 percent. Based upon median housing values in the assessment area, these individuals are less likely to have the financial means on which to qualify for home mortgage loans. In addition to the higher percentage of vacant units in the moderate-income tract as previously mentioned, the median age of all units in the assessment area are 61 years old requiring additional financial resources to maintain in a livable condition. A community representative stated that Fort Madison is an older city with many aged homes, several which require additional renovation.

The following table presents the bank's borrower distribution of home mortgage loans in 2021.

<b>Borrower Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 2021 IA Non MSA</b>						
	<b>Borrower Income Levels</b>	<b>Bank &amp; Demographic Comparison 2021</b>				<b>Families by Family Income %</b>
		<b>Count</b>		<b>Dollar</b>		
		<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>\$ %</b>	
<b>Totals</b>	Low	2	2.9	73	0.7	19.9
	Moderate	9	13.2	735	6.9	19.2
	Middle	14	20.6	1,801	16.8	24.7
	Upper	43	63.2	8,113	75.7	36.1
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>68</b>	<b>100.0</b>	<b>10,722</b>	<b>100.0</b>	<b>100.0</b>
2021 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

### Small Business Loans

The bank's distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. During the evaluation period, the bank originated 91.5 percent of small business loans to businesses with revenues equal to or less than \$1 million. The bank's performance is higher than the number of total businesses operating within the assessment area with revenues of \$1.0 million or less (88.8 percent). Of those small business loans, a notable 96.5 percent were made in amounts of \$100,000 or less. These loans under \$100,000, which include a number of loans under the Paycheck Protection Program, are considered to be most beneficial to small businesses, indicating 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 2021.

Small Business Lending By Revenue & Loan Size								
Assessment Area: 2021 IA Non MSA								
Product Type		Bank & Demographic Comparison						
		2021		2021		Total Businesses %		
Revenue	Loan Size	Count Bank		Dollar Bank				
		#	%	\$ 000s	\$ %			
Small Business	Revenue	\$1 Million or Less	86	91.5	2,049	52.1	88.8	
		Over \$1 Million	8	8.5	1,881	47.9	9.5	
		Unknown	0	0.0	0	0.0	1.7	
		<b>Total</b>	<b>94</b>	<b>100.0</b>	<b>3,930</b>	<b>100.0</b>	<b>100.0</b>	
	Loan Size	\$100,000 or Less	86	91.5	1,495	38.0		
		\$100,001 - \$250,000	4	4.3	689	17.5		
		\$250,001 - \$1 Million	4	4.3	1,746	44.4		
		<b>Total</b>	<b>94</b>	<b>100.0</b>	<b>3,930</b>	<b>100.0</b>		
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	83	96.5	1,318	64.3		
		\$100,001 - \$250,000	2	2.3	420	20.5		
		\$250,001 - \$1 Million	1	1.2	311	15.2		
		<b>Total</b>	<b>86</b>	<b>100.0</b>	<b>2,049</b>	<b>100.0</b>		

Originations & Purchases  
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS  
Note: Percentages may not add to 100.0 percent due to rounding

### Response to Complaints

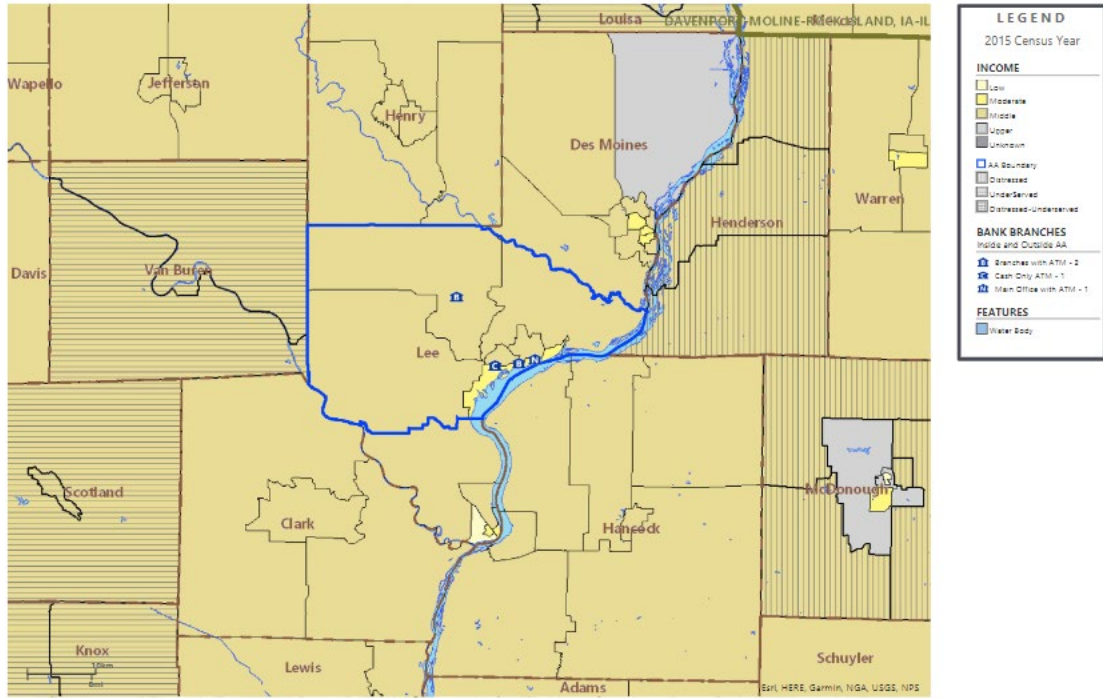
Neither Lee County Bank, nor this Reserve Bank has received any CRA-related complaints since the previous examination.

### 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 A – Map of Assessment Area

Lee County Bank 625140  
IA Non MSA



**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>			
January 1, 2021 - December 31, 2021			
<b>FINANCIAL INSTITUTION</b>			
Lee County Bank			<b>PRODUCTS REVIEWED</b> Home Mortgage Loans Small Business 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			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-MSA Iowa Northern Lee County	Full scope	N/A	N/A



## APPENDIX C – 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

---

<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, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement 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 householder 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 product 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).