

# **PUBLIC DISCLOSURE**

July 26, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

West Michigan Community Bank  
RSSD# 715340

5367 School Avenue  
Hudsonville, Michigan 49426

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

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

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## INSTITUTION'S RATING

**West Michigan Community Bank is rated: Satisfactory**

**The Lending Test is rated: Satisfactory**

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

West Michigan Community Bank (WMCB) is meeting the credit needs of its community based on an analysis of its lending and community development activities. The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. Additionally, a majority of loans were originated in the assessment area. Lending performance demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Lastly, the bank's community development performance demonstrates excellent responsiveness to community development needs through community development loans, qualified investments, and community development services, considering the bank's capacity, and the need and availability of such opportunities in the bank's assessment area.

There were no CRA-related complaints received by the institution or this Reserve Bank since the previous evaluation.

## SCOPE OF EXAMINATION

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

A full scope review was conducted on the bank's sole assessment area, which consists of a portion of the Grand Rapids-Kentwood, MI MSA #24340 that includes Kent and Ottawa Counties in their entirety, as well as two census tracts in adjacent Allegan County. The Lending Test evaluation includes a sample of small business loans originated from July 1, 2020 to December 31, 2020, and HMDA-reportable loans originated from January 1, 2019 to December 31, 2020. Additionally, examiners reviewed qualified community development loans, investments, and services from May 21, 2018 to July 26, 2021.

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

- **Loan-to-Deposit Ratio** – A 14-quarter average loan-to-deposit (LTD) ratio ending June 30, 2021 was calculated for the bank and compared to a sample of local competitors.

- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2019 to December 31, 2020, and a sample of small business loans originated from July 1, 2020 to December 31, 2020, were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated in the assessment area from January 1, 2019 to December 31, 2020, and a sample of small business loans originated in the assessment area from July 1, 2020 to December 31, 2020, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank’s HMDA-reportable loans originated in the assessment area from January 1, 2019 to December 31, 2020, and a sample of small business loans originated in the assessment area from July 1, 2020 to December 31, 2020, 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.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through qualified community development loans, investments, and services, from May 21, 2018 to July 26, 2021, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

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

## DESCRIPTION OF INSTITUTION

WMCB is a subsidiary of Northstar Financial Group Inc., a two-bank holding company located in Bad Axe, Michigan. The bank’s main office is located in Hudsonville, Michigan, approximately 13 miles from Grand Rapids, Michigan. In addition, the bank maintains seven full-service branch offices with full-service automated teller machines (ATMs) in the Michigan cities of Grand Rapids, Holland, Hudsonville, Jenison, and Zeeland. The bank also maintains a standalone cash-only ATM located at the Holland Hospital in Holland, Michigan. Since the previous evaluation, the

bank closed its limited service, satellite branch located in Jenison, Michigan in May 2021, and opened a full-service branch with an ATM in Grand Rapids, Michigan in August 2020.

As of the March 31, 2021 Uniform Banking Performance Report (UBPR), the bank reported total assets of approximately \$771.5 million. WMCB offers a variety of traditional lending products including agricultural, commercial, residential real estate (in-house and secondary market), and consumer open- and closed-end loans. The bank is primarily a commercial lender as this category represents approximately 83.2 percent of the gross loan portfolio. In addition to its lending activities, the bank offers standard, non-complex deposit products including checking, savings, money market deposit, certificates of deposit, and individual retirement accounts to meet the personal and business banking needs of the community. Detail of the bank’s loan portfolio is provided in the following table.

<b>Composition of Loan Portfolio</b> as of <b>March 31, 2021</b> (000's)		
<b>Type</b>	<b>\$</b>	<b>%</b>
Residential Real Estate	73,299	12.2
Commercial	500,061	83.2
Agriculture	24,439	4.1
Consumer	3,416	0.6
Other	16	0.0
<b>Total</b>	<b>601,231</b>	<b>100.0</b>
<i>Note: Percentages 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 May 21, 2018.

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

WMCB delineates one intrastate assessment area, which comprises a portion of the Grand Rapids-Kentwood, MI MSA #24340 that includes full Kent and Ottawa Counties, as well as two of 25 census tracts (322.00 and 324.01) in adjacent Allegan County. The city of Holland is shared by Ottawa and Allegan Counties. Excluded from the Grand Rapids-Kentwood, MI MSA #24340 are Ionia and Montcalm Counties. The delineated assessment area has not changed since the previous evaluation and consists of 184 census tracts including 12 low-, 34 moderate-, 91 middle-, and 46 upper-income tracts. The final census tract has unknown income, and it is the Lake Michigan border of Ottawa County. Although the delineated assessment area has not changed since the previous evaluation, the OMB has redefined the Grand Rapids-Kentwood, MI MSA #24340

between 2019-2020. Barry County was replaced with Ionia County and the MSA picked up an additional majority minority census tract. This change does not impact the bank's CRA risk as the bank does not operate any deposit facilities outside of Kent and Ottawa Counties.

The June 30, 2020 FDIC Deposit Market Share Report ranked WMCB 13<sup>th</sup> of 27 FDIC-insured depository institutions operating in the assessment area. During this time, the bank held approximately \$584.6 million in deposits, representing 2.2 percent of the total deposit market share in the assessment area. Fifth Third Bank ranked first with total deposits of approximately \$6.6 billion at 24.1 percent of the market share, followed by The Huntington National Bank with 11.3 percent. The 27 FDIC-insured financial institutions operating in the assessment area maintained a total of 283 branch offices, eight of which belonged to WMCB.

The following table displays information about the assessment area by tract income categories including details on total families, housing units, businesses and farms for the year 2020. Please see Appendix C to review this information for the year 2019.

Assessment Area: 2020 Grand Rapids-Kentwood, MI MSA 24340								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	12	6.5	7,778	3.4	3,245	41.7	42,518	18.7
Moderate-income	34	18.5	34,074	15.0	6,454	18.9	39,311	17.3
Middle-income	91	49.5	116,854	51.5	8,606	7.4	50,231	22.1
Upper-income	46	25.0	68,308	30.1	2,379	3.5	94,954	41.8
Unknown-income	1	0.5	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>184</b>	<b>100.0</b>	<b>227,014</b>	<b>100.0</b>	<b>20,684</b>	<b>9.1</b>	<b>227,014</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	15,395	4,718	2.0	30.6	8,400	54.6	2,277	14.8
Moderate-income	63,550	29,135	12.3	45.8	29,636	46.6	4,779	7.5
Middle-income	183,353	126,424	53.6	69.0	45,778	25.0	11,151	6.1
Upper-income	92,569	75,801	32.1	81.9	11,934	12.9	4,834	5.2
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>354,867</b>	<b>236,078</b>	<b>100.0</b>	<b>66.5</b>	<b>95,748</b>	<b>27.0</b>	<b>23,041</b>	<b>6.5</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	1,324	3.4	1,065	3.1	254	5.9	5	1.8
Moderate-income	5,766	14.6	4,979	14.3	765	17.9	22	7.7
Middle-income	19,386	49.2	17,158	49.2	2,089	48.8	139	48.8
Upper-income	12,954	32.9	11,658	33.4	1,177	27.5	119	41.8
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>39,430</b>	<b>100.0</b>	<b>34,860</b>	<b>100.0</b>	<b>4,285</b>	<b>100.0</b>	<b>285</b>	<b>100.0</b>
	Percentage of Total Businesses:			88.4		10.9		0.7
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	3	0.4	3	0.4	0	0.0	0	0.0
Moderate-income	27	3.4	20	2.7	7	10.9	0	0.0
Middle-income	484	60.6	440	59.9	44	68.8	0	0.0
Upper-income	285	35.7	272	37.0	13	20.3	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>799</b>	<b>100.0</b>	<b>735</b>	<b>100.0</b>	<b>64</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	Percentage of Total Farms:			92.0		8.0		0.0

2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS

Note: Percentages may not add to 100.0 percent due to rounding

## Population Change

The following table shows the population trends for the counties comprising the assessment area (i.e. Allegan, Kent and Ottawa Counties), the Grand Rapids-Kentwood, MI MSA, and the state of Michigan from the 2010 Decennial Census and the U.S. Census Bureau’s estimates for 2011-2015. The populations in the counties comprising the assessment area increased and outpaced that of the state of Michigan. Kent and Ottawa Counties experienced similar increases at 3.3 and 3.5 percent, respectively, since the 2010 U.S. Census, which aligned with that of the Grand Rapids-Kentwood, MI MSA. Allegan County experienced the smallest increase compared to the other counties in the assessment area at 1.3 percent. A community representative noted that Kent and Ottawa Counties have seen natural growth for the last four years. However, Allegan County experienced slower growth, comparatively.

Population Change			
Area	2010 Population	2011-2015 Population	Percentage Change
Kent County, MI	602,622	622,590	3.3
Ottawa County, MI	263,801	273,136	3.5
Grand Rapids-Kentwood, MI MSA	988,938	1,022,794	3.4
Allegan County, MI	111,408	112,837	1.3
State of Michigan	9,883,640	9,900,571	0.2

*Source: 2010—U.S. Census Bureau: Decennial Census and 2011-2015—U.S. Census Bureau: Annual Population Estimates*

## Income Characteristics

The following table presents the median family income (MFI) for families living in the assessment area, the Grand Rapids-Kentwood, MI MSA, and the state of Michigan. For context, the assessment area is comprised of 227,014 families, of which 18.7 percent are low-income, 17.3 percent are moderate-income, 22.1 percent are middle-income, and 41.8 percent are upper-income based on 2011-2015 U.S. Census Bureau American Community Survey (ACS) estimates. In addition, 9.1 percent of families in the assessment area are below the poverty level. All areas experienced an increase in MFIs, with the individual counties comprising the assessment area outpacing the Grand Rapids-Kentwood, MI MSA and the state of Michigan, which increased by 5.4 and 3.2 percent, respectively. Ottawa County experienced the largest increase in MFI at 7.5 percent and continued to maintain the highest MFI compared to all other areas. Kent and Allegan Counties followed with 6.9 and 6.8 percent increases, respectively. Allegan County had the lowest MFIs compared to all other areas at \$57,831 and \$61,753 for the 2006-2010 and 2011-2015 periods, respectively.

A community representative noted that Allegan County is an outlier compared to other areas as it relates to MFIs and has historically maintained lower wages due to its rural nature and less housing. Another representative acknowledged the growth in MFIs that all counties comprising the assessment area have experienced from 2010 through 2019. However, the representative noted that the pandemic has greatly impacted low-income workers and expects figures to be lower than



pre-pandemic levels for 2021.

Median Family Income Change			
Area	2006-2010 Median Family Income (In 2010 Dollars)	2011-2015 Median Family Income (In 2015 Dollars)	Percentage Change
Kent County, MI	61,097	65,290	6.9
Ottawa County, MI	65,474	70,378	7.5
Grand Rapids-Kentwood, MI MSA	61,182	64,496	5.4
Allegan County, MI	57,831	61,753	6.8
State of Michigan	60,341	62,247	3.2

*Source: 2006-2010 and 2011-2015—U.S. Census Bureau: American Community Survey*

### Housing Characteristics

The following tables present trends in housing costs, housing affordability, and housing developments/permits in the counties comprising the assessment area, the Grand Rapids-Kentwood, MI MSA, and the state of Michigan. For context, there are 354,867 housing units within the assessment area based on 2011-2015 U.S. Census Bureau ACS estimates. Of those housing units, 66.5 percent are owner-occupied, 27.0 percent are rental units, and 6.5 percent are vacant units.

According to 2006-2010 and 2011-2015 U.S. Census Bureau ACS estimates, Ottawa County had the highest median housing value and median gross rents compared to all other areas. As of the 2011-2015 period, the median housing value and median gross rent in Ottawa County was \$155,400 and \$792, reflecting a 3.6 percent decrease and 9.1 percent increase, respectively. In comparison, Kent and Allegan Counties had median housing values of \$139,300 and \$140,400, respectively, and median gross rents of \$767 and \$739, respectively, during the same periods. These figures reflect decreases in median housing values since the 2006-2010 ACS period that closely align with the Grand Rapids-Kentwood, MI MSA, while median gross rents trended the opposite and experienced increases, the most notable being 14.6 percent in Allegan County. Despite the sizeable increase in median gross rent, Allegan County continued to maintain the lowest figure at \$739 during the 2011-2015 ACS period.

Overall, all areas experienced decreases in median housing values, with the most notable being the state of Michigan decline of 15.1 percent, while simultaneously experiencing increases in median gross rents. A community representative noted that west Michigan has seen more growth than the rest of the state over the last 10 years, which has resulted in increased pressure to raise housing values and rents, particularly since 2015. However, the aging housing stock has impacted housing values as observed by the representative. The decreases in median housing value resulted in improved housing affordability across all areas from the 2006-2010 to the 2011-2015 ACS period. More specifically, all areas had affordability ratios of 0.34 during the 2006-2010 period, which increased to 0.38 in Kent and Ottawa Counties and the MSA, 0.39 in Allegan County, and 0.41 in the state of Michigan. Generally, a higher affordability ratio supports more affordable housing

opportunities, as detailed in the formal definition in Appendix E. Despite increases in affordability ratios, both community representatives noted the need for more affordable housing to meet the growing population demand. Representatives also expressed concerns with the housing stock in the assessment area, noting that single-family housing permits have generally slowed over the past decade since the 2008 Great Recession. As stated by one representative, the pandemic has further put a strain on single- and multi-family housing projects partially due to increased costs associated with construction projects.

Trends in Housing Costs								
Area	2006-2010 Median Housing Value	2011-2015 Median Housing Value	Percent Change	2006-2010 Median Gross Rent	2011-2015 Median Gross Rent	Percent Change	2006-2010 Affordability Ratio	2011-2015 Affordability Ratio
Kent County, MI	147,600	139,300	-5.6	699	767	9.7	0.34	0.38
Ottawa County, MI	161,200	155,400	-3.6	726	792	9.1	0.34	0.38
Grand Rapids-Kentwood, MI MSA	149,805	139,507	-6.9	699	765	9.4	0.34	0.38
Allegan County, MI	149,400	140,400	-6.0	645	739	14.6	0.34	0.39
State of Michigan	144,200	122,400	-15.1	723	783	8.3	0.34	0.41

Source: 2006-2010 and 2011-2015 — U.S. Census Bureau: American Community Survey

Total Single Family Housing Permit Growth						
Area	2017		2018		2019	
	Number of Housing Permits	Year Over Year Growth	Number of Housing Permits	Year Over Year Growth	Number of Housing Permits	Year Over Year Growth
Kent County, MI	1,369	8.8	1,397	2.0	1,289	-7.7
Ottawa County, MI	1,235	6.6	1,013	-18.0	1,079	6.5
Grand Rapids-Kentwood, MI MSA	2,829	7.9	2,649	-6.4	2,531	-4.5
Allegan County, MI	383	15.7	434	13.3	378	-12.9
State of Michigan	16,545	14.1	15,522	-6.2	14,529	-6.4

Source: U.S. Census Bureau: Annual Building Permits Survey

Total Multi-Family Housing Permit Growth						
Area	2017		2018		2019	
	Number of Housing Permits	Year Over Year Growth	Number of Housing Permits	Year Over Year Growth	Number of Housing Permits	Year Over Year Growth
Kent County, MI	1,246	-20.4	969	-22.2	1,285	32.6
Ottawa County, MI	640	34.7	136	-78.8	297	118.4
Grand Rapids-Kentwood, MI MSA	1,886	-8.8	1,105	-41.4	1,624	47.0
Allegan County, MI	8	-55.6	2	-75.0	13	550.0
State of Michigan	6,971	18.7	3,947	-43.4	5,977	51.4

*Source: U.S. Census Bureau: Annual Building Permits Survey*

### Employment Characteristics

The following table presents the unemployment rates in the counties comprising the assessment area, the Grand Rapids-Kentwood, MI MSA, and the state of Michigan. Based on the Bureau of Labor Statistics' Local Area Unemployment Statistics (LAUS), unemployment rates have decreased in all areas reviewed from 2016 to 2019, and are similarly aligned, with the exception of the state of Michigan. From 2016 to 2019, the state of Michigan's unemployment rates remained the highest, most recently recorded at 4.1 percent. Comparatively, Ottawa County maintained the lowest unemployment rate over the years reviewed, but was closely aligned with rates in Allegan and Kent Counties and the Grand Rapids-Kentwood, MI MSA. A community representative observed that rates have continued to decline since the 2008 Great Recession. However, another representative noted that there has been a severe labor shortage in the counties over recent years. The representative went on to note that the shortage of labor has been further exacerbated by the pandemic. The labor shortage has caused businesses to compete with each other to acquire and retain talent in a smaller pool of potential employees.

Unemployment Rates				
Area	2016	2017	2018	2019
Kent County, MI	3.4	3.4	3.0	2.9
Ottawa County, MI	3.2	3.2	2.8	2.8
Grand Rapids-Kentwood, MI MSA	3.4	3.5	3.0	2.9
Allegan County, MI	3.7	3.7	3.3	3.1
State of Michigan	4.9	4.6	4.1	4.1

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

## Industry Characteristics

The largest employers within the assessment area are detailed in the following table. While the assessment area contains a somewhat diverse industry base, goods-producing and manufacturing were the most prominent industries based on 2018 location quotients, which was also observed by a community representative. Spectrum Health Hospitals employs the largest number of employees at approximately 15,000. Based on Worker Adjustment and Retraining Notification (WARN) reports for the assessment area, there have been minimal plant closures and mass layoffs since the previous evaluation. The most notable impacts on workers include the plant closure of Gardens Alive Farms in Ottawa County in June 2018, which effected 295 workers, followed by a mass layoff at Alticor Inc. in Kent County in September 2019, which effected 166 workers.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Spectrum Health Hospitals	Hospitals	15000
Amway Corporation	Direct Selling Establishments	4000
Perrigo Company	Pharmaceutical Preparation (Manufacturers)	3700
Spartannash Company	Grocers-Wholesale	3000
Gentex Corporation	Engineers	3000
Wolverine World Wide Inc	Shoes-Manufacturers	2500
Metro Health Hospital	Hospitals	2011
Pine Rest Psychiatric Urgent Care	Psychiatric Hospitals	2000
Meijer Incorporated	Grocers-Retail	2000
Haworth Incorporated	Office Furniture & Equipment-Dealers (Wholesale)	1800
<i>Source: Business information provided by Infogroup®, Omaha, NE</i>		

## Community Representatives

Two community representatives were contacted to provide context regarding the local economic and housing conditions within the assessment area. They indicated that economic conditions are generally stable, particularly in light of the pandemic. Kent County is one of the main drivers for growth in the area as home to Grand Rapids, the second largest city in the state of Michigan. Ottawa County economic activity also drives growth in the area. However, one representative noted concerns with the severe labor shortage, which has put businesses in competition with each other to acquire and retain talent. Additionally, supply chain challenges existed prior to the pandemic and costs have increased. The pandemic has further exacerbated the labor shortage concern. The need for more housing developments, including affordable options, ranked among the top concerns for the representatives due to the slowing of single- and multi-family housing permits over the past decade.

One community representative noted that financial institutions in the area are doing well in

making capital more accessible. The representative went on to note that banks are getting more innovative in developing programs to help small businesses, especially with a focus on minority-owned businesses. The biggest areas for opportunity are in housing affordability and development, an issue that the representative stated can likely be solved with more projects led by builders/developers and contractors in the area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

WMCB's performance relative to the lending test is Satisfactory. The bank's loan to deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. Additionally, a majority of loans were originated in the assessment area. Lending performance demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes. Lastly, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

### Loan-to-Deposit Ratio

WMCB's LTD is more than reasonable. The bank had a more than reasonable (considering seasonal variations) LTD ratio given the bank's size, financial condition, the credit needs of its assessment area, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary market and community development loans and qualified investments.

As of June 30, 2021, the bank's LTD ratio averaged 97.5 percent over a 14-quarter period, representing an increase from the previous evaluation where the 11-quarter LTD ratio averaged 90.3 percent. The bank's LTD ratio exceeded most of its local peer competitors, with the exception of United Bank of Michigan and Grand River Bank. The following table compares the bank's LTD ratio to a sample of local peer competitors.

Comparative Loan-to-Deposit Ratios as of June 30, 2021	
Comparative Data	14 Quarter Average (%)
West Michigan Community Bank	97.5
Peer Average – Local	92.6
Competitors	
United Bank of Michigan	103.6
Union Bank	85.2
Highpoint Community Bank	77.2
First Community Bank	94.1
First National Bank of Michigan	93.6
Grand River Bank	101.6

### Assessment Area Concentration

The bank made a majority of its loans, and as appropriate, other lending-related activities in its assessment area. During the review period, the bank originated 82.2 percent, by number, and 76.8 percent, by dollar volume, of total loans in the assessment area. Specific to small business lending, the percentage of lending within the assessment area increased since the prior evaluation, when 88.6 percent, by number, and 87.5 percent, by dollar volume, of total loans were originated in the assessment area. As it relates to HMDA-reportable lending, the bank was on par with performance from the previous evaluation, by number, when 81.1 percent of these loans were made in the assessment area, and slightly below, by dollar volume, when 79.5 percent of total loans were originated in the assessment area. The concentration of lending within the assessment area indicates the bank is actively serving its local community. The following table summarizes the bank's lending inside and outside of its assessment area for HMDA-reportable loans originated from January 1, 2019 to December 31, 2020 and a sample of small business loans originated from July 1, 2020 to December 31, 2020.

Loan Types	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Improvement	5	71.4	490	58.8	2	28.6	343	41.2
Home Purchase - Conventional	194	79.8	47,552	76.7	49	20.2	14,437	23.3
Multi-Family Housing	17	65.4	12,302	48.0	9	34.6	13,352	52.0
Refinancing	346	82.8	75,989	81.7	72	17.2	16,986	18.3
<b>Total HMDA Related</b>	<b>562</b>	<b>81.0</b>	<b>136,333</b>	<b>75.1</b>	<b>132</b>	<b>19.0</b>	<b>45,118</b>	<b>24.9</b>
<b>Total Small Business Related</b>	<b>72</b>	<b>93.5</b>	<b>15,420</b>	<b>95.0</b>	<b>5</b>	<b>6.5</b>	<b>806</b>	<b>5.0</b>
<b>TOTAL LOANS</b>	<b>634</b>	<b>82.2</b>	<b>151,753</b>	<b>76.8</b>	<b>137</b>	<b>17.8</b>	<b>45,924</b>	<b>23.2</b>

### Geographic Distribution of Loans

The bank demonstrated a reasonable geographic distribution of loans considering the bank's assessment area.

An analysis of the geographic distribution was conducted to determine the dispersion of loans among the census tracts within the assessment area. Specific to HMDA-reportable lending, WMCB originated loans in 52.2 percent of the 184 census tracts in the assessment area in 2020. This included penetrating two of the 12 low-income census tracts, 11 of the 34 moderate-income census tracts, 53 of the 91 middle-income census tracts, and 30 of the 46 upper-income census tracts. This is somewhat similar to geographic penetration across census tracts in 2019, but with less distribution overall. More specifically, the bank originated HMDA-reportable loans in 42.9 percent of the 184 census tracts in 2019. Analysis of the sample of small business loans shows originations

in 24.5 percent of the 184 census tracts in the assessment area in 2020. This included penetrating nine of the 34 moderate-income census tracts, 24 of the 91 middle-income census tracts, and 12 of the 46 upper-income census tracts. Given the bank's overall size and complexity, and the large number of census tracts included in the assessment area, examiners determined that there were no conspicuous, unexplained lending gaps in contiguous census tracts.

A breakdown of the bank's HMDA-reportable and small business lending is discussed in more detail below by individual products. Specific to HMDA-reportable lending, due to limited or no lending activity of home improvement, multi-family, other purpose lines of credit, other purpose closed/exempt, and loan purpose not applicable loans, only home purchase and refinance loans will be discussed.

### HMDA-Reportable Lending

Geographic distribution of 2020 HMDA-reportable loans is reasonable throughout the assessment area. Given the lower prevalence of low- and moderate-income owner-occupied housing in the assessment area and heavy competition from other institutions, the lending opportunities are highly sought-after and scarce. WMCB ranks 36 out of 470 HMDA reporters within the assessment area originating a total of 364 loans. The top three HMDA reporters are Lake Michigan Credit Union originating 11,964 loans, Fifth Third Bank originating 3,253 loans, and Quicken Loans originating 2,839 loans. Larger, more complex institutions within the assessment area, can traditionally dedicate substantial resources and programs to help reach these geographies.

#### *Home Purchase Loans*

In 2020, WMCB originated 1.3 percent of home purchase loans in low-income census tracts, which is slightly below aggregate lending at 2.9 percent and slightly below the percentage of owner-occupied units at 2.0 percent. The bank originated 7.6 percent of home purchase loans in moderate-income tracts, which falls below aggregate lending at 14.7 percent and owner-occupied units at 12.3 percent.

The geographic distribution of HMDA-reportable home purchase loans in 2020 is closely aligned with lending activity in 2019.

#### *Refinance Loans*

In 2020, WMCB originated less than one percent (0.4 percent) of refinance loans in low-income census tracts, which is slightly below aggregate lending at 1.0 percent and below the percentage of owner-occupied units at 2.0 percent. The bank originated 4.1 percent of refinance loans in moderate-income census tracts, which also falls below aggregate lending at 8.5 percent and owner-occupied units at 12.3 percent. The geographic distribution of HMDA-reportable refinance loans in 2020 is closely aligned with lending activity in 2019.

The following table presents the geographic distribution of HMDA-reportable loans for 2020 within the assessment area. Please see Appendix D to review the 2019 lending table.



Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2020 Grand Rapids-Kentwood, MI MSA 24340								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		2020			Dollar			
		Count Bank	Agg	Bank	Agg			
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	1	1.3	2.9	120	0.7	1.8	2.0
	Moderate	6	7.6	14.7	1,074	6.0	10.5	12.3
	Middle	51	64.6	52.9	11,264	63.1	49.6	53.6
	Upper	21	26.6	29.5	5,382	30.2	38.1	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>79</b>	<b>100.0</b>	<b>100.0</b>	<b>17,840</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	1	0.4	1.0	99	0.2	0.6	2.0
	Moderate	11	4.1	8.5	2,008	3.4	5.6	12.3
	Middle	155	57.6	50.6	33,901	57.2	46.0	53.6
	Upper	102	37.9	39.9	23,311	39.3	47.8	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>269</b>	<b>100.0</b>	<b>100.0</b>	<b>59,319</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	1.3	0	0.0	1.0	2.0
	Moderate	2	66.7	7.7	215	51.8	5.5	12.3
	Middle	1	33.3	51.0	200	48.2	45.9	53.6
	Upper	0	0.0	40.0	0	0.0	47.6	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>3</b>	<b>100.0</b>	<b>100.0</b>	<b>415</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	1	16.7	4.4	1,400	15.4	2.1	4.4
	Moderate	1	16.7	28.9	595	6.5	49.4	31.2
	Middle	2	33.3	53.3	678	7.4	40.1	50.2
	Upper	2	33.3	13.3	6,440	70.7	8.4	14.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>6</b>	<b>100.0</b>	<b>100.0</b>	<b>9,113</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	0.7	0	0.0	0.4	2.0
	Moderate	0	0.0	7.5	0	0.0	4.2	12.3
	Middle	0	0.0	49.6	0	0.0	45.2	53.6
	Upper	0	0.0	42.2	0	0.0	50.2	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	3.0	0	0.0	3.8	2.0
	Moderate	0	0.0	11.7	0	0.0	10.0	12.3
	Middle	0	0.0	51.3	0	0.0	38.5	53.6
	Upper	0	0.0	34.0	0	0.0	47.7	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	4.2	0	0.0	2.1	2.0
	Moderate	0	0.0	22.8	0	0.0	14.9	12.3
	Middle	0	0.0	51.6	0	0.0	41.3	53.6
	Upper	0	0.0	21.4	0	0.0	41.7	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
HMDA Totals	Low	3	0.8	1.6	1,619	1.9	1.1	2.0
	Moderate	20	5.6	10.6	3,892	4.5	9.6	12.3
	Middle	209	58.5	51.3	46,043	53.1	46.8	53.6
	Upper	125	35.0	36.5	35,133	40.5	42.5	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>357</b>	<b>100.0</b>	<b>100.0</b>	<b>86,687</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

Geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Although no small business loans within the sample were made in low-income census tracts, the bank originated 16.7 percent, or 12 by number, of its small business loans in moderate-income census tracts. This is slightly higher than the percentage of businesses located in moderate-income census tracts at 14.6 percent. By dollar volume, 20.5 percent of small business loans were made in moderate-income census tracts, which also exceeds the percentage of businesses located in these tracts. The following table presents the geographic distribution of a sample of small business loans in the assessment area from July 1, 2020 to December 31, 2020.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2020 Grand Rapids-Kentwood, MI MSA 24340</b>						
	<b>Tract Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				
				<b>2020</b>		<b>Total Businesses</b>
		<b>Count Bank</b>		<b>Dollar Bank</b>		
		<b>#</b>	<b>%</b>	<b>\$ 000s</b>	<b>\$ %</b>	<b>%</b>
<b>Small Business</b>	Low	0	0.0	0	0.0	3.4
	Moderate	12	16.7	3,157	20.5	14.6
	Middle	44	61.1	9,145	59.3	49.2
	Upper	16	22.2	3,118	20.2	32.9
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>72</b>	<b>100.0</b>	<b>15,420</b>	<b>100.0</b>	<b>100.0</b>
2020 FFIEC Census Data & 2020 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 Lending to Businesses of Different Sizes**

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

A breakdown of the bank’s HMDA-reportable and small business lending is discussed in more detail below by individual products. Specific to HMDA-reportable lending, due to limited or no lending activity of home improvement, multi-family, other purpose lines of credit, other purpose closed/exempt, and loan purpose not applicable loans, only home purchase and refinance loans will be discussed.

## HMDA-Reportable Lending

Borrower distribution of 2020 HMDA-reportable home purchase and refinance loans demonstrates a reasonable dispersion within the assessment area. Lending to low- and moderate-income borrowers was particularly difficult in 2020 due to the COVID-19 pandemic, which had a substantial adverse impact on home mortgage lending throughout the year. Additionally, heavy competition exists within the assessment area and larger institutions within it are able to dedicate significant resources to reaching low-and moderate-income borrowers.

### *Home Purchase Loans*

In 2020, WMCB originated 8.9 percent of home purchase loans to low-income borrowers, which is slightly above aggregate lending at 8.3 percent, but below the percentage of low-income borrowers at 18.7 percent. The bank originated 19.0 percent of home purchase loans to moderate-income borrowers, which falls below aggregate lending at 27.0 percent, but is slightly above the percentage of moderate-income borrowers at 17.3 percent.

The borrower distribution of HMDA-reportable home purchase loans in 2020 is closely aligned with lending activity in 2019.

### *Refinance Loans*

In 2020, WMCB originated 2.6 percent of refinance loans to low-income borrowers, which is slightly below aggregate lending at 5.3 percent and below the percentage of low-income borrowers at 18.7 percent. In contrast, the bank originated 19.7 percent of refinance loans to moderate-income borrowers, which exceeds aggregate lending at 18.4 percent and exceeds the percentage of moderate-income borrowers at 17.3 percent.

The borrower distribution of HMDA-reportable refinance loans in 2020 is closely aligned with lending activity in 2019.

The following table presents the borrower distribution of HMDA-reportable loans for 2020 within the assessment area. Please see Appendix D to review the 2019 lending table.

<b>Borrower Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2020 Grand Rapids-Kentwood, MI MSA 24340</b>								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2020			Dollar			
		Count		Dollar		Agg		
		#	%	%	Bank	Agg	\$ %	
					\$(000s)	\$ %	\$ %	
Home Purchase	Low	7	8.9	8.3	980	5.5	4.8	18.7
	Moderate	15	19.0	27.0	2,504	14.0	20.5	17.3
	Middle	21	26.6	23.8	4,547	25.5	22.0	22.1
	Upper	29	36.7	33.5	8,375	46.9	45.7	41.8
	Unknown	7	8.9	7.3	1,434	8.0	7.0	0.0
	<b>Total</b>	<b>79</b>	<b>100.0</b>	<b>100.0</b>	<b>17,840</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	7	2.6	5.3	772	1.3	2.8	18.7
	Moderate	53	19.7	18.4	8,460	14.3	12.8	17.3
	Middle	70	26.0	24.5	15,003	25.3	20.8	22.1
	Upper	113	42.0	42.1	30,655	51.7	53.4	41.8
	Unknown	26	9.7	9.8	4,429	7.5	10.2	0.0
	<b>Total</b>	<b>269</b>	<b>100.0</b>	<b>100.0</b>	<b>59,319</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	6.2	0	0.0	3.7	18.7
	Moderate	0	0.0	15.5	0	0.0	11.8	17.3
	Middle	0	0.0	26.4	0	0.0	23.2	22.1
	Upper	2	66.7	50.1	285	68.7	59.2	41.8
	Unknown	1	33.3	1.8	130	31.3	2.1	0.0
	<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>100.0</b>	<b>415</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	1.1	0	0.0	0.0	18.7
	Moderate	0	0.0	0.0	0	0.0	0.0	17.3
	Middle	0	0.0	0.0	0	0.0	0.0	22.1
	Upper	0	0.0	0.0	0	0.0	0.0	41.8
	Unknown	6	100.0	98.9	9,113	100.0	100.0	0.0
	<b>Total</b>	<b>6</b>	<b>100.0</b>	<b>100.0</b>	<b>9,113</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	6.6	0	0.0	3.5	18.7
	Moderate	0	0.0	17.0	0	0.0	11.5	17.3
	Middle	0	0.0	23.5	0	0.0	18.3	22.1
	Upper	0	0.0	49.7	0	0.0	63.5	41.8
	Unknown	0	0.0	3.2	0	0.0	3.3	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	8.3	0	0.0	5.3	18.7
	Moderate	0	0.0	19.9	0	0.0	13.0	17.3
	Middle	0	0.0	26.2	0	0.0	18.7	22.1
	Upper	0	0.0	42.6	0	0.0	60.9	41.8
	Unknown	0	0.0	3.0	0	0.0	2.1	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	0.8	0	0.0	0.7	18.7
	Moderate	0	0.0	1.3	0	0.0	1.1	17.3
	Middle	0	0.0	0.7	0	0.0	0.7	22.1
	Upper	0	0.0	0.0	0	0.0	0.0	41.8
	Unknown	0	0.0	97.2	0	0.0	97.6	0.0
	<b>Total</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>100.0</b>
HMDA Totals	Low	14	3.9	6.3	1,752	2.0	3.3	18.7
	Moderate	68	19.0	20.7	10,964	12.6	14.6	17.3
	Middle	91	25.5	24.1	19,550	22.6	20.0	22.1
	Upper	144	40.3	39.6	39,315	45.4	47.9	41.8
	Unknown	40	11.2	9.4	15,106	17.4	14.2	0.0
	<b>Total</b>	<b>357</b>	<b>100.0</b>	<b>100.0</b>	<b>86,687</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases								
2016 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Within the sample, the bank originated 52.8 percent, by number, of small business loans to businesses with gross annual revenue of \$1 million or less. This resulted in the bank performing significantly below the percentage of total businesses in the assessment area that reported gross annual revenues of \$1 million or less. However, given the competitive market the bank operates in, and the bank’s overall size and complexity, the bank’s performance is considerable reasonable. Overall, the bank’s small business lending demonstrates its willingness to meet credit needs of local businesses, particularly supported by participation in PPP lending, and the notable number (42.1 percent) of small dollar loans made (i.e., \$100,000 or less), which are deemed most beneficial to local and small businesses. Further, PPP loans are incredibly beneficial to the community as they are exclusively for payroll or income replacement. These loans have a positive impact on the surrounding community as they help replenish the income loss due to the pandemic. The following table presents the borrower distribution of small business loans in the assessment area from July 1, 2020 to December 31, 2020.

<b>Small Business Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2020 Grand Rapids-Kentwood, MI MSA 24340</b>							
Product Type		Bank & Demographic Comparison					
		2020		2020		Total Businesses %	
	Revenue	Count Bank		Dollar Bank			
		#	%	\$ 000s	%		
Small Business	Revenue	\$1 Million or Less	38	52.8	7,337	47.6	88.4
		Over \$1 Million	34	47.2	8,083	52.4	10.9
		Unknown	0	0.0	0	0.0	0.7
		<b>Total</b>	<b>72</b>	<b>100.0</b>	<b>15,420</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	24	33.3	1,016	6.6	
		\$100,001 - \$250,000	22	30.6	4,080	26.5	
		\$250,001 - \$1 Million	26	36.1	10,324	67.0	
		<b>Total</b>	<b>72</b>	<b>100.0</b>	<b>15,420</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	16	42.1	714	9.7	
		\$100,001 - \$250,000	8	21.1	1,417	19.3	
\$250,001 - \$1 Million		14	36.8	5,205	71.0		
<b>Total</b>		<b>38</b>	<b>100.0</b>	<b>7,336</b>	<b>100.0</b>		

Originations & Purchases  
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

## **Response to Complaints**

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

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance relative to the community development test is Outstanding.

## **Lending, Investment, and Service Activities**

WMCB demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments and donations, and community development services. The bank made a majority of loans and all of its investments for the primary purpose of affordable housing. Additionally, the bank made a majority of its donations and services to community services benefiting low- and moderate-income individuals and families.

### **Lending**

The bank originated 23 qualified loans totaling \$12.6 million primarily toward affordable housing initiatives within the assessment area. The bank has increased community development lending by six loans, or \$3.3 million, since the previous evaluation. The increase can be attributed to natural growth of the institution and the bank's involvement with the Small Business Administration's (SBA) Paycheck Protection Program (PPP) in response to the COVID-19 pandemic. The loans dedicated to affordable housing are responsive to the needs of the community as identified by a community representative in the area.

### **Investments**

The bank made one new investment during the evaluation period for \$500,000. Additionally, one investment with an outstanding balance from the prior period of \$1,000,000 was qualified during this evaluation. Both investments were for the primary community development purpose of affordable housing. During the 2018 evaluation, the bank made one qualified investment, which is the same existing investment in this current evaluation.

The bank made 35 qualified donations, totaling \$89,057, to community organizations primarily with a focus on community services that benefit low- and moderate-income individuals and families. The bank made eight donations, totaling \$18,495, to community organizations with a focus on affordable housing. This is an increase from the prior evaluation's three affordable housing donations demonstrating the bank's responsiveness to the needs of the community. In total, the number of donations only increased by one since the prior evaluation, but the dollar amount of donations increased by \$71,312, or 401.9 percent.

## Services

The bank made 66 services totaling to 1,690 hours. This is an increase since the previous examination of 31 services, or 88.6 percent by number. Forty-eight of the services were dedicated to organizations with a community service focus for low- and moderate-income individuals and families. Four of the services, totaling 330 hours, were made to community organizations with a focus on affordable housing. This is a decrease from the prior evaluation’s nine affordable housing services. The prior evaluation assessed the number of services completed, without specific consideration to the number of service hours. As a result, a comparison of service hours could not be made.

The following table presents WMCB’s community development activities during the evaluation period.

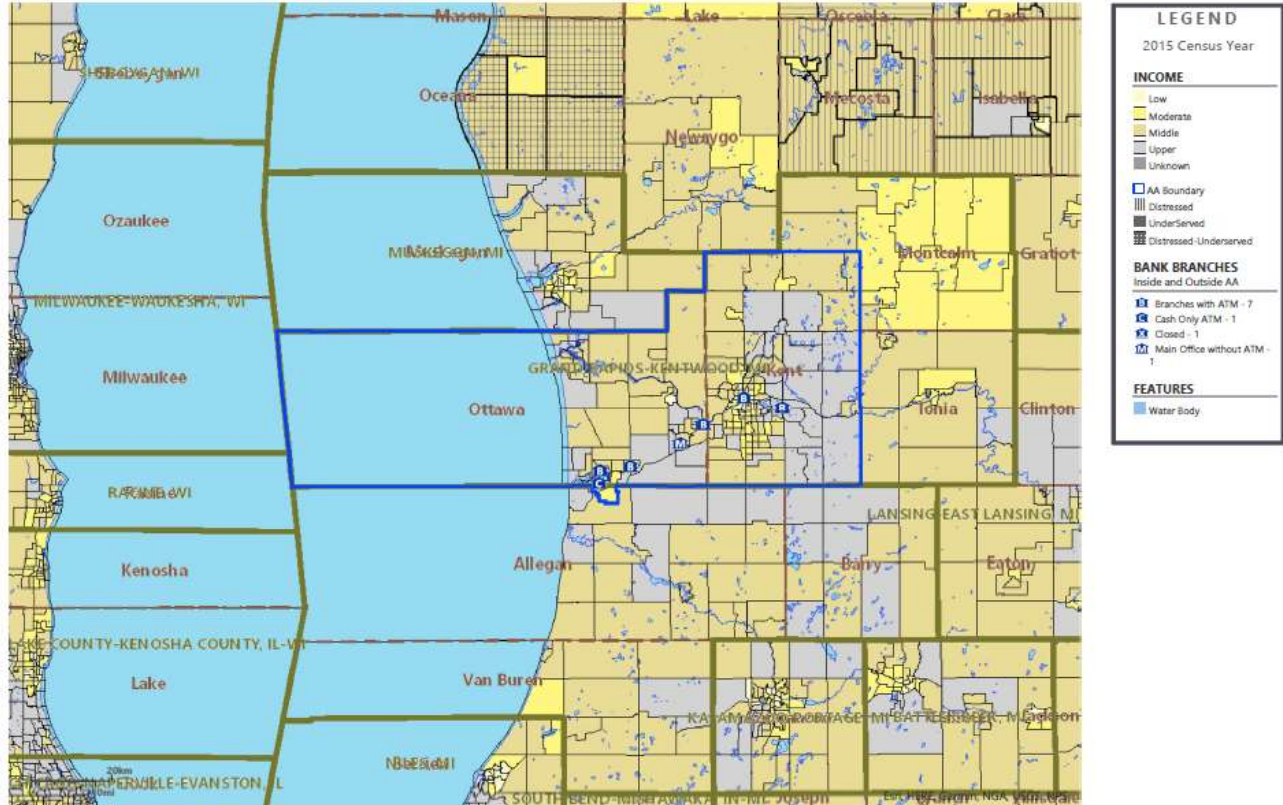
Summary of Community Development Activities May 21 ,2018 - July 26, 2021										
Type of Activity	Affordable Housing		Economic Development		Revitalize and Stabilize		Community Service		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
<b>Lending</b>	17	9,979,588	0	0	1	442,951	5	2,180,000	23	12,602,539
<b>Investments</b>	2	1,500,000	0	0	0	0	0	0	2	1,500,000
<b>Donations</b>	8	18,495	4	18,700	7	17,054	16	34,808	35	89,057
<b>Services</b>	4	330	14	107	0	0	48	1,253	66	1,690

## 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

**West Michigan Community Bank 715340**  
2020 Grand Rapids-Kentwood, MI MSA 24340





**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>		HMDA-Reportable Lending: January 1, 2019 – December 31, 2020 Small Business Lending: July 1, 2020 – December 31, 2020 Community Development Activities: May 21, 2018 – July 26, 2021	
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
West Michigan Community Bank			HMDA-Reportable Loans Small Business Loans
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None	Not Applicable		Not Applicable
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Michigan Grand Rapids-Kentwood, MI MSA #24340	Full scope review	None	Not Applicable

**APPENDIX C – 2019 Assessment Area Demographics Table**

Assessment Area: 2019 Grand Rapids-Kentwood, MI MSA 24340								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	12	6.5	7,778	3.4	3,245	41.7	42,518	18.7
Moderate-income	34	18.5	34,074	15.0	6,454	18.9	39,311	17.3
Middle-income	91	49.5	116,854	51.5	8,606	7.4	50,231	22.1
Upper-income	46	25.0	68,308	30.1	2,379	3.5	94,954	41.8
Unknown-income	1	0.5	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>184</b>	<b>100.0</b>	<b>227,014</b>	<b>100.0</b>	<b>20,684</b>	<b>9.1</b>	<b>227,014</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	15,395	4,718	2.0	30.6	8,400	54.6	2,277	14.8
Moderate-income	63,550	29,135	12.3	45.8	29,636	46.6	4,779	7.5
Middle-income	183,353	126,424	53.6	69.0	45,778	25.0	11,151	6.1
Upper-income	92,569	75,801	32.1	81.9	11,934	12.9	4,834	5.2
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>354,867</b>	<b>236,078</b>	<b>100.0</b>	<b>66.5</b>	<b>95,748</b>	<b>27.0</b>	<b>23,041</b>	<b>6.5</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	%
Low-income	1,305	3.4	1,033	3.0	264	6.0	8	2.8
Moderate-income	5,613	14.5	4,813	14.2	772	17.7	28	9.8
Middle-income	19,006	49.2	16,748	49.3	2,128	48.7	130	45.5
Upper-income	12,734	32.9	11,407	33.5	1,207	27.6	120	42.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>38,658</b>	<b>100.0</b>	<b>34,001</b>	<b>100.0</b>	<b>4,371</b>	<b>100.0</b>	<b>286</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.0</b>		<b>11.3</b>		<b>0.7</b>
	<b>Total Farms by Tract</b>	<b>Farms by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	%
Low-income	2	0.2	2	0.3	0	0.0	0	0.0
Moderate-income	32	3.9	25	3.3	7	10.4	0	0.0
Middle-income	498	60.5	453	59.9	45	67.2	0	0.0
Upper-income	291	35.4	276	36.5	15	22.4	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>823</b>	<b>100.0</b>	<b>756</b>	<b>100.0</b>	<b>67</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>			<b>91.9</b>		<b>8.1</b>		<b>0.0</b>
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

**APPENDIX D – 2019 Lending Tables**

<b>Geographic Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2019 Grand Rapids-Kentwood, MI MSA 24340</b>								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		2019		2019				
		Count Bank	Agg %	Dollar Bank	Agg %	Agg %		
		#	%	\$ (000s)	%	\$ %		
Home Purchase	Low	1	0.9	2.9	140	0.5	1.8	2.0
	Moderate	7	6.1	14.8	1,457	4.9	10.4	12.3
	Middle	68	59.1	52.3	16,308	54.9	49.0	53.6
	Upper	39	33.9	29.9	11,807	39.7	38.9	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>115</b>	<b>100.0</b>	<b>100.0</b>	<b>29,712</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	0	0.0	1.1	0	0.0	0.6	2.0
	Moderate	4	5.2	10.4	451	2.7	6.9	12.3
	Middle	46	59.7	51.5	9,177	55.1	47.0	53.6
	Upper	27	35.1	36.9	7,042	42.2	45.5	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>77</b>	<b>100.0</b>	<b>100.0</b>	<b>16,670</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	1.7	0	0.0	1.3	2.0
	Moderate	1	50.0	9.6	15	20.0	6.9	12.3
	Middle	1	50.0	51.8	60	80.0	46.7	53.6
	Upper	0	0.0	37.0	0	0.0	45.1	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	1	9.1	1.3	245	7.7	0.1	<b>Multi-Family</b> 4.4
	Moderate	3	27.3	30.7	732	23.0	11.7	31.2
	Middle	6	54.5	52.0	1,892	59.3	65.9	50.2
	Upper	1	9.1	16.0	320	10.0	22.3	14.3
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>11</b>	<b>100.0</b>	<b>100.0</b>	<b>3,189</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	0.6	0	0.0	0.2	2.0
	Moderate	0	0.0	8.9	0	0.0	4.6	12.3
	Middle	0	0.0	49.4	0	0.0	44.1	53.6
	Upper	0	0.0	41.2	0	0.0	51.1	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	1.4	0	0.0	1.2	2.0
	Moderate	0	0.0	11.4	0	0.0	6.4	12.3
	Middle	0	0.0	55.5	0	0.0	48.3	53.6
	Upper	0	0.0	31.7	0	0.0	44.1	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	3.1	0	0.0	1.1	2.0
	Moderate	0	0.0	17.6	0	0.0	12.4	12.3
	Middle	0	0.0	59.3	0	0.0	58.5	53.6
	Upper	0	0.0	20.0	0	0.0	28.0	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
HMDA Totals	Low	2	1.0	2.0	385	0.8	1.2	2.0
	Moderate	15	7.3	12.4	2,655	5.3	8.9	12.3
	Middle	121	59.0	52.0	27,437	55.3	49.0	53.6
	Upper	67	32.7	33.7	19,169	38.6	40.9	32.1
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>205</b>	<b>100.0</b>	<b>100.0</b>	<b>49,646</b>	<b>100.0</b>	<b>100.0</b>

Originations & Purchases  
2016 FFIEC Census Data  
*Note: Percentages may not add to 100.0 percent due to rounding*

<b>Borrower Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2019 Grand Rapids-Kentwood, MI MSA 24340</b>								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2019			Dollar			
		Count Bank		Agg %	Bank		Agg \$ %	
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	4	3.5	7.7	326	1.1	4.3	18.7
	Moderate	21	18.3	24.0	3,067	10.3	17.5	17.3
	Middle	24	20.9	25.2	5,126	17.3	22.4	22.1
	Upper	52	45.2	35.1	17,539	59.0	47.7	41.8
	Unknown	14	12.2	8.0	3,654	12.3	8.0	0.0
	<b>Total</b>		<b>115</b>	<b>100.0</b>	<b>100.0</b>	<b>29,712</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	3	3.9	6.7	226	1.4	3.5	18.7
	Moderate	16	20.8	19.1	2,254	13.5	13.4	17.3
	Middle	17	22.1	23.9	3,168	19.0	20.4	22.1
	Upper	35	45.5	40.3	9,882	59.3	51.5	41.8
	Unknown	6	7.8	10.0	1,140	6.8	11.2	0.0
	<b>Total</b>		<b>77</b>	<b>100.0</b>	<b>100.0</b>	<b>16,670</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	6.6	0	0.0	4.7	18.7
	Moderate	0	0.0	18.7	0	0.0	14.0	17.3
	Middle	0	0.0	26.0	0	0.0	21.9	22.1
	Upper	0	0.0	46.4	0	0.0	56.7	41.8
	Unknown	2	100.0	2.2	75	100.0	2.7	0.0
	<b>Total</b>		<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	18.7
	Moderate	0	0.0	0.0	0	0.0	0.0	17.3
	Middle	0	0.0	0.0	0	0.0	0.0	22.1
	Upper	3	27.3	6.7	589	18.5	0.6	41.8
	Unknown	8	72.7	93.3	2,600	81.5	99.4	0.0
	<b>Total</b>		<b>11</b>	<b>100.0</b>	<b>100.0</b>	<b>3,189</b>	<b>100.0</b>	<b>100.0</b>
Other Purpose LOC	Low	0	0.0	8.3	0	0.0	4.4	18.7
	Moderate	0	0.0	18.3	0	0.0	12.4	17.3
	Middle	0	0.0	23.9	0	0.0	19.3	22.1
	Upper	0	0.0	47.0	0	0.0	61.3	41.8
	Unknown	0	0.0	2.5	0	0.0	2.6	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Other Purpose Closed/Exempt	Low	0	0.0	8.3	0	0.0	5.6	18.7
	Moderate	0	0.0	19.0	0	0.0	12.6	17.3
	Middle	0	0.0	28.8	0	0.0	19.9	22.1
	Upper	0	0.0	41.3	0	0.0	57.9	41.8
	Unknown	0	0.0	2.6	0	0.0	3.9	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
Loan Purpose Not Applicable	Low	0	0.0	1.0	0	0.0	0.3	18.7
	Moderate	0	0.0	1.4	0	0.0	2.1	17.3
	Middle	0	0.0	1.0	0	0.0	1.0	22.1
	Upper	0	0.0	2.0	0	0.0	3.7	41.8
	Unknown	0	0.0	94.6	0	0.0	92.9	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
HMDA Totals	Low	7	3.4	7.2	552	1.1	3.8	18.7
	Moderate	37	18.0	21.1	5,321	10.7	14.7	17.3
	Middle	41	20.0	24.6	8,294	16.7	20.3	22.1
	Upper	90	43.9	38.4	28,010	56.4	47.1	41.8
	Unknown	30	14.6	8.7	7,469	15.0	14.1	0.0
	<b>Total</b>		<b>205</b>	<b>100.0</b>	<b>100.0</b>	<b>49,646</b>	<b>100.0</b>	<b>100.0</b>

Originations & Purchases

2016 FFIEC Census Data

Note: Percentages may not add to 100.0 percent due to rounding

## APPENDIX E – Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male 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 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 \$1.322 billion. Intermediate small bank means a small bank with assets of at least \$330 million as of December 31 of both of the prior two calendar years and less than \$1.322 billion as of December 31 of either of the prior two calendar years.

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

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

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

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