

# **PUBLIC DISCLOSURE**

August 28, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First State Bank of Porter  
RSSD# 87047

230 Lincoln Street  
Porter, Indiana 46304-1814

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

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

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## BANK'S CRA RATING

First State Bank of Porter is rated Satisfactory.

First State Bank of Porter is meeting the credit needs of its assessment area based upon an analysis of its lending activities. The bank's average loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans were originated inside the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and lending reflects reasonable penetration among borrowers of different income levels and businesses of different revenue sizes. Neither First State Bank of Porter nor this Federal Reserve Bank received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

## SCOPE OF EXAMINATION

First State Bank of Porter's CRA performance was evaluated using the Federal Financial Institution Examination Councils (FFIEC) Small Institution CRA Examination Procedures. The evaluation analyzed information about the institution and its assessment area, such as asset size, financial condition, economic and demographic characteristics, and competition. A sample of lending activity for the bank's major product lines, residential real estate and small business loans, was reviewed. These products are considered the bank's primary business lines based on volume by number and dollar amount. Lending performance was assessed within the bank's single assessment area, Partial Porter County, Indiana (IN), which is part of the Gary, IN, Metropolitan Division (MD) from January 1, 2019 to December 31, 2022.

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 for the period of June 30, 2019, through June 30, 2023, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – A sample of the bank's residential real estate, and small business loans originated from January 1, 2019 to December 31, 2022, were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – A sample of the bank's residential real estate and small business loans originated in the assessment area, from January 1, 2019 to December 31, 2022, were analyzed to determine the extent in 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*** – A sample

of the bank's residential real estate and small business loans originated in the assessment area, from January 1, 2019 to December 31, 2022, were analyzed 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*** – Neither First State Bank of Porter nor this Reserve Bank received any CRA-related complaints since the previous examination.

Data tables for 2022 are in the body of the evaluation, with 2021 and prior data tables located in Appendix B.

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. An organization focused on affordable housing and an organization focused on economic development were contacted.

## DESCRIPTION OF INSTITUTION

First State Bank of Porter is a privately owned community bank located in Porter, Indiana. The bank operates a main office in Porter, Indiana, in an upper-income census tract. Two full-service branch offices are located in Chesterton and Michigan City, Indiana, in a middle-income census tract and upper-income tract, respectively. All three offices include full-service automated teller machines (ATMs). Since the previous examination the bank has not opened any new branches or ATMs and closed one stand-alone ATM located in a middle-income census tract in Michigan City.

As of June 30, 2023, the bank reported assets of \$160.6 million. The bank services its assessment area primarily as a commercial and residential real estate lender. Loan and deposit products are standard and generally non-complex in nature. The bank's products include, but are not limited to commercial, residential real estate, agricultural, construction, and home equity lines of credit. Deposit products include traditional checking and savings accounts, certificates of deposits, and individual retirement accounts. Online banking and further details of the bank's products and services are available at [www.porterstatebank.com](http://www.porterstatebank.com).

The Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report dated June 30, 2022, ranks First State Bank of Porter sixth among 11 FDIC-insured institutions operating in the assessment area. The bank holds a 3.5 percent market share, compared to the market leaders JPMorgan Chase Bank, National Association (Columbus, OH) and Centier Bank (Whiting, IN), which both hold 24.1 percent of the assessment area's deposits. The 11 banks competing for deposits and loans with First State Bank of Porter have 43 offices located throughout the assessment area.

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

<b>Composition of Loan Portfolio as of June 30, 2023</b>		
<b>Loan Type</b>	<b>Dollar Volume (\$ are in 000s)</b>	<b>% of Portfolio</b>
Commercial	\$38,158	48.7
Residential RE	\$35,526	46.8
Agricultural	\$2,977	3.8
Other	257	0.3
Consumer	\$1,381	1.8
Gross Loans	\$78,299	100.0
<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 August 12, 2019.

#### **DESCRIPTION OF ASSESSMENT AREA<sup>1</sup>**

First State Bank of Porter's assessment area is comprised of partial Porter County, IN, which is part of the Gary, Indiana MD (#23844). The bank delineates the northernmost 36 of 43 census tracts in Porter County as its assessment area, which is comprised of one moderate-income tract, 18 middle-income tracts, 14 upper-income tracts, and three unknown-income tracts. There are no low-income census tracts in the assessment area. The unknown-income tracts include the Indiana Dunes National Park and Valparaiso University. The assessment area is bordered by Lake Michigan to the north, Division Road to the south, LaPorte County to the east, and Lake County to the west.

The assessment area has not changed since the previous evaluation; however, there have been changes in the income level designation of census tracts as well as census tracts delineation changes that resulted in more census tracts.

The following table provides a breakdown of the census tract income designation changes from 2021 to 2022.

#### *Tract Designation Change Data*

*The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of*

<sup>1</sup> Census tract designations are based on American Community Survey income data. For years 2017 and after, the designations are based on 2011-2015 ACS data. For years 2016 and before, the designations are based on 2006-2010 ACS data. For examinations that include performance before and after 2017, both sets of data have been used to perform the analysis of bank activity in the respective timeframes.

Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

<b>Census Tract Designation Changes American Community Survey Data (ACS)</b>			
<b>Tract Income Designation</b>	<b>2021 Designations (#)</b>	<b>2022 Designations (#)</b>	<b>Net Change (#)</b>
<b>Low</b>	0	0	0
<b>Moderate</b>	1	1	0
<b>Middle</b>	12	18	+6
<b>Upper</b>	13	14	+1
<b>Unknown</b>	2	3	+1
<b>Total</b>	28	36	+8

*Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015  
U.S. Census Bureau: Decennial Census: America Community Survey Data: 2016-2020*

Additional 2022 assessment area demographic information is provided in the following table, with prior year demographic tables in Appendix B of the evaluation.

2022 Gary, IN MD 23844 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,103	16.5
Moderate	1	2.8	786	2.1	265	33.7	5,711	15.4
Middle	18	50.0	20,383	55.0	2,153	10.6	7,911	21.4
Upper	14	38.9	15,861	42.8	445	2.8	17,321	46.8
Unknown	3	8.3	16	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>36</b>	<b>100.0</b>	<b>37,046</b>	<b>100.0</b>	<b>2,863</b>	<b>7.7</b>	<b>37,046</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,699	753	1.8	44.3	780	45.9	166	9.8
Middle	33,932	20,294	49.7	59.8	11,242	33.1	2,396	7.1
Upper	24,360	19,789	48.5	81.2	3,286	13.5	1,285	5.3
Unknown	159	8	0.0	5.0	125	78.6	26	16.4
<b>Total AA</b>	<b>60,150</b>	<b>40,844</b>	<b>100.0</b>	<b>67.9</b>	<b>15,433</b>	<b>25.7</b>	<b>3,873</b>	<b>6.4</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	394	5.5	370	5.6	20	4.2	4	5.5
Middle	3,099	43.5	2,846	43.3	229	47.8	24	32.9
Upper	3,551	49.9	3,284	50.0	222	46.3	45	61.6
Unknown	74	1.0	66	1.0	8	1.7	0	0.0
<b>Total AA</b>	<b>7,118</b>	<b>100.0</b>	<b>6,566</b>	<b>100.0</b>	<b>479</b>	<b>100.0</b>	<b>73</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.2</b>		<b>6.7</b>		<b>1.0</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	32	37.6	32	38.1	0	0.0	0	0.0
Upper	53	62.4	52	61.9	1	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>85</b>	<b>100.0</b>	<b>84</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>98.8</b>		<b>1.2</b>		<b>0.0</b>
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

### Population Characteristics

According to the 2020 U.S. Census Bureau: Decennial Census data, the assessment area (Partial Porter County) population increased 4.0 percent since the 2015 census. The Gary, IN MD increased 1.8 percent, while the state of Indiana experienced a 3.3 percent increase. According to community representatives the assessment area outgrew the surrounding areas for several key factors. First, there was significant influx of residents from Cook County during the COVID-19 pandemic. Representatives also cited the investment in transit infrastructure making it easier for residents to live in Porter County but work in Chicago. Finally, representatives noted that residents of neighboring counties were moving to the area because of jobs, cost of living, and education.

The following table presents the population trends for the assessment area, the Gary, IN MD, and the state of Indiana.

Population Change			
Area	2015 Population	2020 Population	Percentage Change
Assessment Area	166,570	173,215	4.0%
Gary, Indiana MD	705,671	718,663	1.8%
State of Indiana	6,568,645	6,785,528	3.3%
<i>Source: 2020—U.S. Census Bureau: Decennial Census 2011-2015—U.S. Census Bureau: American Community Survey</i>			

### Income Characteristics

The assessment area is comprised of 37,046 families, of which 16.5 percent are designated as low-income, 15.4 percent are moderate-income, 21.4 percent are middle-income, and 46.8 percent are upper-income families. Further, 7.7 percent of the families residing within the assessment area live below the poverty line, which is below the state of Indiana’s poverty rate of 8.9 percent. The assessment area median family income (MFI) is notably higher than the rest of the state and the rest of the Gary, IN MD. Representatives attributed this to a large portion of workers who live in the area but work in Chicago which has higher wages. The assessment area experienced an increase in MFI between 2015 and 2020; however, the assessment area increased at a lower rate than both the Gary, IN MD and the state of Indiana increases, at 8.0 percent and 9.7 percent, respectively. Representatives ascribed this to the already high income of the area.

The following table presents the population trends for the assessment area, the Gary, IN MD, and the state of Indiana.



Median Family Income			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Assessment Area	\$83,567	\$88,159	5.5%
Gary, IN MD	\$70,007	\$75,625	8.0%
State of Indiana	\$66,777	\$73,265	9.7%
<p><i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i></p>			

### Housing Characteristics

According to 2022 FFIEC Census Data, the assessment area has a median housing value of \$189,136 and median gross rent of \$954. Overall, there are a total of 60,150 housing units in the assessment area with the majority of housing units being owner-occupied at 67.9 percent, while 25.7 percent are rental units, and 6.4 percent are vacant housing units. The state of Indiana’s percentage of owner-occupied housing units, at 62.3 percent, is below the assessment area, while the percentage of rental units and vacant units, at 27.4 and 10.1 percent, is slightly higher than the assessment area.

Households are considered housing cost burdened when gross monthly housing costs in relation to gross monthly income is above 30.0 percent. As shown in the table below, large percentages of low-income households in the assessment area, whether they are renters or homeowners, are housing cost burdened. According to FFIEC data, home mortgage trends reflect increases in home mortgage activity in recent years across the assessment area and the broader region. These trends suggest a continued increase in demand for home purchases, causing an increase in home values, which indicates housing cost burden for low- and moderate-income homeowners will remain elevated. Community representatives cited large demand for homes and a lack of starter homes driving up prices in the area. Representatives cited the aforementioned population growth and the age of housing stock in the area to exacerbating the problem.

The following table presents the housing cost burden for the assessment area, the Gary, IN MD, and the state of Indiana.

Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	76.8	40.6	42.1	65.5	34.6	16.1
Gary, Indiana MD	70.1	31.8	41.2	61.4	28.8	17.4
Indiana	73.3	26.8	41.0	57.2	22.9	15.1

*Cost Burden is housing cost that equals 30 percent or more of household income.  
Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy*

### Employment Conditions

Overall, all areas saw an increase in the unemployment rate in 2020, largely due to the COVID-19 pandemic, which led some employers to lay off employees. In 2021, unemployment rates across all areas declined with the assessment area and the state of Indiana consistently at 3.9 percent and 3.6 percent, respectively. The Gary, IN MD unemployment rate also experienced a decline from 2020 to 2021, still trended higher at 5.3 percent. Community representatives accredited the lower unemployment rates in the area to recovery efforts from the pandemic; however, existing corporations are still faced with the barrier of filling vacancies for all income and education levels. The representative believes this is attributed to lack of development within the workforce.

The following table presents the unemployment rates for the assessment area, the Gary, IN MD, and the state of Indiana.

Unemployment Rates					
Area	2017	2018	2019	2020	2021
Assessment Area	4.0%	3.8%	3.7%	8.2%	3.9%
Gary, IN MD	4.7%	4.5%	4.5%	9.6%	5.3%
State of Indiana	3.5%	3.4%	3.3%	7.2%	3.6%

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

### Industry Characteristics

The assessment area is home to multiple industries with the majority in manufacturing, healthcare and social assistance, and retail trade. Additionally, the area’s industry is impacted by a large percentage of government workers. According to community representatives, the growth in healthcare industries arose following the COVID-19 Pandemic.

## **Community Representatives**

Two community representatives were contacted to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development needs within the assessment area. The representatives indicated that financial institutions are effectively meeting assessment area credit needs, although a continued need for more affordable housing would benefit the area. Representatives noted that economic conditions in the area have improved from 2020; however, there is a labor shortage with many businesses needing skilled workers.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **LENDING TEST**

First State Bank of Porter's performance relative to the lending test is rated Satisfactory, as the bank is meeting the credit needs of its community based on the analysis of its lending activities. The loan-to-deposit ratio is reasonable considering the characteristics of the bank, performance of local competitors, current economic conditions, and the credit needs of its assessment area. A majority of residential real estate, and small business loans were originated in the assessment area. The geographic distribution of residential real estate and small business loans reflect reasonable dispersion throughout the assessment area. Lending activity also reflects reasonable penetration among individuals of different income levels and to businesses of different revenue sizes. No CRA-related complaints were received by the institution or the Reserve Bank since the previous evaluation.

### **Loan-to-Deposit Ratio**

First State Bank of Porter's loan-to-deposit (LTD) ratio is reasonable given the bank's asset size, financial condition, and the credit needs of the assessment area. As of June 30, 2023, the bank's 17-quarter average LTD ratio was 59.4 percent, which falls below its local competitors; however, it is an increase from the previous evaluation at 58.4 percent. The LTD ratio was evaluated relative to the bank's financial condition, capacity to lend, its competitors, and its peers' LTD ratios. Also considered were demographic factors, economic conditions, and lending opportunities present in the assessment area.

The following table illustrates the bank's average LTD ratio for the 17-quarters since the previous evaluation dated August 12, 2019, in comparison to its local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	17 – Quarter Average
First State Bank of Porter	59.4
<b>Competitors</b>	
Centier Bank	98.7
1st Source Bank	87.5
First Merchants Bank	79.2
Horizon Bank	78.0
Peoples Bank	75.9
Woodforest National Bank	67.1
Demotte State Bank	60.3

### Assessment Area Concentration

A majority of the bank’s residential real estate, and small business loans were originated in the assessment area. Of the 137 total loans originated during the evaluation period, 75.2 percent of loans by number and 79.5 percent by dollar were originated within the assessment area. The bank’s lending concentration indicates the bank is responsive to the credit needs of consumers, and small businesses, in the assessment area.

The following table summarizes the bank’s lending inside and outside its assessment area during the review period.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Residential Loans	65	72.2	\$14,714	76.5	25	27.8	\$4,527	23.5
Small Business Loans	38	80.9	\$7,884	85.7	9	19.1	\$1,314	14.3
<b>Total Loans</b>	<b>103</b>	<b>75.2</b>	<b>\$22,598</b>	<b>79.5</b>	<b>34</b>	<b>24.8</b>	<b>\$5,841</b>	<b>20.5</b>

### Geographic Distribution of Loans

The geographic distribution of residential real estate, and small business loans reflects a reasonable dispersion of lending throughout the assessment area with no conspicuous gaps in lending identified. In 2021 through 2022, First State Bank of Porter made loans in the bank’s sole moderate-income census tract in the assessment area. A detailed discussion of residential real estate, and small business loans in relation to census demographics is provided below.

#### Residential Real Estate Lending

Residential real estate lending reflects a reasonable dispersion throughout the assessment area. In 2022, the bank originated 5.6 percent of their residential real estate loans in the moderate-income census tract, which exceeds the owner-occupied units (1.8 percent) in the tract. In 2021, the bank

originated 8.7 percent of their residential real estate loans in the moderate-income census tract, this also exceeds the owner-occupied units (0.9 percent) in the tract. In 2020 and 2019, the bank did not originate any residential real estate loans in the moderate-income tract; however, this is comparable with the percentage of owner-occupied units (0.9 percent) in the tract and when factoring the limited volume of originations overall by the institution.

The following table presents the bank’s 2022 geographic distribution of HMDA-reportable loans. Data tables for 2019 through 2021 are located in Appendix B.

<b>Distribution of 2022 Residential Lending By Income Level of Geography</b>					
<b>Assessment Area: Gary, IN MD 23844</b>					
<b>Geographic Income Level</b>	<b>Bank Loans</b>				<b>Owner Occupied Units %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	
<b>Low</b>	0	0.0	0	0.0	0.0
<b>Moderate</b>	1	5.6	252	6.4	1.8
<b>Middle</b>	8	44.4	1,858	47.4	49.7
<b>Upper</b>	9	50.0	1,810	46.2	48.5
<b>Unknown</b>	0	0.0	0	0.0	0.0
<b>Tract-Unk</b>	0	0.0	0	0.0	
<b>Total</b>	18	100.0	3,919	100.0	100.0

Source: 2022 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

### Small Business Loans

Small business lending reflects a reasonable dispersion throughout the assessment area. In 2022, First State Bank of Porter did not originate any small business loans in the moderate-income census tract, which is below the percentage of businesses in the moderate-income tract (5.5 percent). In 2021, the bank originated 8.3 percent of its small business loans by number in the moderate-income tract. This is slightly above the percentage of businesses located in the moderate-income tract at 5.3 percent. The bank did not make any small business loans in the moderate-income census tract in years 2019 and 2020, below the percentage of businesses in the moderate-income census tract (5.4 and 5.3 percent, respectively).

The following table presents the bank’s 2022 geographic distribution of small business loans. Data tables for 2019 through 2021 are located in Appendix B.

Distribution of 2022 Small Business Lending By Income Level of Geography					
Assessment Area: Gary, IN MD 23844					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	5.5
Middle	4	36.4	1,255	53.9	43.5
Upper	7	63.6	1,074	46.1	49.9
Unknown	0	0.0	0	0.0	1.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>11</b>	<b>100.0</b>	<b>2,329</b>	<b>100.0</b>	<b>100.0</b>

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

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

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

First State Bank of Porter’s distribution of lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals and businesses of different revenue sizes, including those with annual revenues of \$1 million or less. A detailed discussion of residential real estate, and small business loans in relation to census demographics is provided below.

#### Residential Real Estate Lending

The distribution of residential real estate loans reflects reasonable penetration among borrowers of different income levels. In 2022, First State Bank of Porter originated 5.6 percent of residential real estate loans to low-income borrowers, which is below the assessment area demographic (16.5 percent). Lending to moderate-income borrowers (11.1 percent) was also below the assessment area demographics (15.4 percent). The bank’s residential real estate lending to borrowers of low-income in 2021 was consistent with 2022 performance. The bank originated 8.7 percent of residential real estate loans, which was below the assessment area demographic (16.8 percent). Lending to the moderate-income borrowers (13.0 percent) was consistent with the assessment area demographic (14.1 percent). In 2020, the bank did not originate any loans to low-and moderate-income borrowers. However, the bank’s performance in 2020 is an outlier compared to other years included in the analysis. In 2019, residential real estate lending to low-income borrowers (28.6 percent) significantly exceeded the demographic figure (16.8 percent), and lending to moderate-income borrowers (14.3 percent) was consistent with demographics (14.1 percent).

The following table presents the bank’s 2022 borrower distribution of residential real estate loans. Data tables for 2019 through 2021 are located in Appendix B.

Distribution of 2022 Residential Lending By Borrower Income Level					
Assessment Area: Gary, IN MD 23844					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	\$%	
Low	1	5.6	28	0.7	16.5
Moderate	2	11.1	135	3.4	15.4
Middle	4	22.2	359	9.2	21.4
Upper	11	61.1	3,398	86.7	46.8
Unknown	0	0.0	0	0.0	0.0
<b>Total</b>	<b>18</b>	<b>100.0</b>	<b>3,919</b>	<b>100.0</b>	<b>100.0</b>

Source: 2022 FFIEC Census Data  
2016-2020 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

### Small Business Loans

The borrower distribution reflects reasonable penetration among businesses of different sizes. In 2022, First State Bank of Porter originated 63.6 percent of small business loans to businesses with revenues of \$1.0 million or less. By comparison, 92.2 percent of the businesses in the assessment area have gross annual revenues of \$1.0 million or less. The bank’s underperformance can be attributed to First State Bank of Porter’s limited volume of lending during the year (11 total loans). In 2021 the bank originated 91.7 percent of their small business loans to businesses with revenues of \$1.0 million or less, which was consistent with the percentage of total businesses, at 92.0 percent. The bank’s 2020 lending exceeded the percentage of total businesses (92.0 percent), originating 100.0 percent of their small businesses to businesses with annual revenues of \$1.0 million or less. While 2019 lending, at 80.0 percent, was below the total percentage of businesses (91.3 percent).

The following table presents the bank’s 2022 borrower distribution of small business loans. Data tables for 2019 through 2021 are located in Appendix B.

Distribution of 2022 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Gary, IN MD 23844					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	7	63.6	1,482	63.6	92.2
<b>Over \$1 Million</b>	4	36.4	847	36.4	6.7
<b>Revenue Unknown</b>	0	0.0	0	0.0	1.0
<b>Total</b>	11	100.0	2,329	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	4	36.4	255	10.9	
<b>\$100,001 - \$250,000</b>	3	27.3	541	23.2	
<b>\$250,001 - \$1 Million</b>	4	36.4	1,533	65.8	
<b>Total</b>	11	100.0	2,329	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	3	42.9	180	12.1	
<b>\$100,001 - \$250,000</b>	1	14.3	147	9.9	
<b>\$250,001 - \$1 Million</b>	3	42.9	1,155	77.9	
<b>Total</b>	7	100.0	1,482	100.0	
<i>Source: 2022 FFIEC Census Data 2022 Dun &amp; Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

### Response to Complaints

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

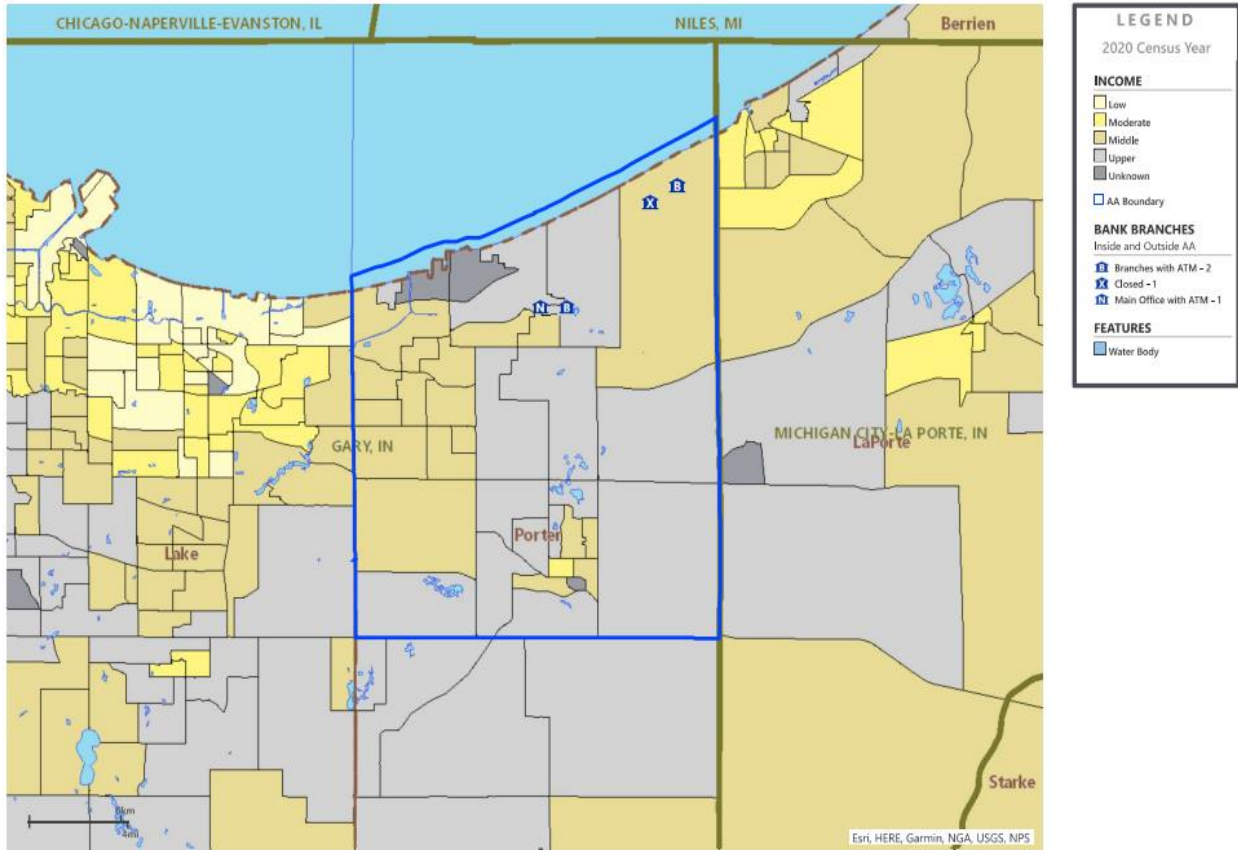
### FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

**First State Bank of Porter 87047**  
Gary, IN MD 23844



APPENDIX B – 2021 and Prior Demographic and Lending Charts

Combined Demographics

2021 Gary, IN MD 23844 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,441	16.8
Moderate	1	3.6	460	1.2	57	12.4	5,414	14.1
Middle	12	42.9	16,267	42.4	2,065	12.7	7,705	20.1
Upper	13	46.4	21,678	56.4	1,550	7.2	18,845	49.1
Unknown	2	7.1	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>28</b>	<b>100.0</b>	<b>38,405</b>	<b>100.0</b>	<b>3,672</b>	<b>9.6</b>	<b>38,405</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied		Rental		Vacant		
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,222	370	0.9	30.3	605	49.5	247	20.2
Middle	27,042	16,758	40.7	62.0	8,352	30.9	1,932	7.1
Upper	30,602	24,044	58.4	78.6	4,453	14.6	2,105	6.9
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>58,866</b>	<b>41,172</b>	<b>100.0</b>	<b>69.9</b>	<b>13,410</b>	<b>22.8</b>	<b>4,284</b>	<b>7.3</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	385	5.3	345	5.2	34	6.8	6	7.8
Middle	2,555	35.3	2,340	35.2	195	39.1	20	26.0
Upper	4,276	59.2	3,960	59.5	265	53.1	51	66.2
Unknown	13	0.2	8	0.1	5	1.0	0	0.0
<b>Total AA</b>	<b>7,229</b>	<b>100.0</b>	<b>6,653</b>	<b>100.0</b>	<b>499</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>92.0</b>		<b>6.9</b>		<b>1.1</b>
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	2	1.9	2	1.9	0	0.0	0	0.0
Middle	20	19.0	20	19.2	0	0.0	0	0.0
Upper	83	79.0	82	78.8	1	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>105</b>	<b>100.0</b>	<b>104</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>99.0</b>		<b>1.0</b>		<b>0.0</b>
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

2020 Gary, IN MD 23844 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,441	16.8
Moderate	1	3.6	460	1.2	57	12.4	5,414	14.1
Middle	12	42.9	16,267	42.4	2,065	12.7	7,705	20.1
Upper	13	46.4	21,678	56.4	1,550	7.2	18,845	49.1
Unknown	2	7.1	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>28</b>	<b>100.0</b>	<b>38,405</b>	<b>100.0</b>	<b>3,672</b>	<b>9.6</b>	<b>38,405</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,222	370	0.9	30.3	605	49.5	247	20.2
Middle	27,042	16,758	40.7	62.0	8,352	30.9	1,932	7.1
Upper	30,602	24,044	58.4	78.6	4,453	14.6	2,105	6.9
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>58,866</b>	<b>41,172</b>	<b>100.0</b>	<b>69.9</b>	<b>13,410</b>	<b>22.8</b>	<b>4,284</b>	<b>7.3</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	385	5.3	345	5.2	34	6.5	6	7.8
Middle	2,556	35.3	2,329	35.1	208	39.5	19	24.7
Upper	4,292	59.2	3,960	59.6	280	53.1	52	67.5
Unknown	14	0.2	9	0.1	5	0.9	0	0.0
<b>Total AA</b>	<b>7,247</b>	<b>100.0</b>	<b>6,643</b>	<b>100.0</b>	<b>527</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>91.7</b>		<b>7.3</b>		<b>1.1</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	3	2.8	3	2.8	0	0.0	0	0.0
Middle	21	19.4	21	19.6	0	0.0	0	0.0
Upper	84	77.8	83	77.6	1	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>108</b>	<b>100.0</b>	<b>107</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>99.1</b>		<b>0.9</b>		<b>0.0</b>
Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

2019 Gary, IN MD 23844 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,441	16.8
Moderate	1	3.6	460	1.2	57	12.4	5,414	14.1
Middle	12	42.9	16,267	42.4	2,065	12.7	7,705	20.1
Upper	13	46.4	21,678	56.4	1,550	7.2	18,845	49.1
Unknown	2	7.1	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>28</b>	<b>100.0</b>	<b>38,405</b>	<b>100.0</b>	<b>3,672</b>	<b>9.6</b>	<b>38,405</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,222	370	0.9	30.3	605	49.5	247	20.2
Middle	27,042	16,758	40.7	62.0	8,352	30.9	1,932	7.1
Upper	30,602	24,044	58.4	78.6	4,453	14.6	2,105	6.9
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>58,866</b>	<b>41,172</b>	<b>100.0</b>	<b>69.9</b>	<b>13,410</b>	<b>22.8</b>	<b>4,284</b>	<b>7.3</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	373	5.4	333	5.3	34	6.5	6	7.8
Middle	2,410	34.9	2,179	34.6	210	39.9	21	27.3
Upper	4,104	59.5	3,777	60.0	277	52.7	50	64.9
Unknown	14	0.2	9	0.1	5	1.0	0	0.0
<b>Total AA</b>	<b>6,901</b>	<b>100.0</b>	<b>6,298</b>	<b>100.0</b>	<b>526</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>91.3</b>		<b>7.6</b>		<b>1.1</b>
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	3	2.9	3	2.9	0	0.0	0	0.0
Middle	20	19.2	20	19.4	0	0.0	0	0.0
Upper	81	77.9	80	77.7	1	100.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>104</b>	<b>100.0</b>	<b>103</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>99.0</b>		<b>1.0</b>		<b>0.0</b>
Source: 2019 FFIEC Census Data 2019 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Residential Real Estate Lending Geographic Distribution Tables

Distribution of 2020 and 2021 Residential Lending By Income Level of Geography									
Assessment Area: Gary, IN MD 23844									
Geographic Income Level	Bank Loans By Year								Owner Occupied Units %
	2020				2021				
	#	%	\$(000)	%	#	%	\$(000)	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	2	8.7	725	12.4	0.9
Middle	3	17.6	387	9.2	4	17.4	524	8.9	40.7
Upper	14	82.4	3,806	90.8	17	73.9	4,619	78.7	58.4
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>4,193</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>5,867</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
2011-2015 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2019 Residential Lending By Income Level of Geography					
Assessment Area: Gary, IN MD 23844					
Geographic Income Level	Bank Loans				Owner Occupied Units %
	#	%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	0.9
Middle	0	0.0	0	0.0	40.7
Upper	7	100.0	734	100.0	58.4
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>7</b>	<b>100.0</b>	<b>734</b>	<b>100.0</b>	<b>100.0</b>

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

Small Business Lending Geographic Distribution Tables

Distribution of 2020 and 2021 Small Business Lending By Income Level of Geography									
Assessment Area: Gary, IN MD 23844									
Geographic Income Level	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	\$%	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	1	8.3	250	8.8	5.3
Middle	2	20.0	1,095	55.4	3	25.0	425	15.0	35.3
Upper	8	80.0	883	44.6	8	66.7	2,155	76.1	59.2
Unknown	0	0.0	0	0.0	0	0.0	0	0.0	0.2
Tract-Unk	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>1,978</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>2,830</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
2021 Dun & Bradstreet Data  
2011-2015 U.S. Census Bureau: American Community Survey

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

Distribution of 2019 Small Business Lending By Income Level of Geography					
Assessment Area: Gary, IN MD 23844					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	0	0.0	0	0.0	0.0
Moderate	0	0.0	0	0.0	5.4
Middle	2	40.0	383	51.2	34.9
Upper	3	60.0	365	48.8	59.5
Unknown	0	0.0	0	0.0	0.2
Tract-Unk	0	0.0	0	0.0	
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>748</b>	<b>100.0</b>	<b>100.0</b>

Source: 2019 FFIEC Census Data  
2019 Dun & Bradstreet Data  
2011-2015 U.S. Census Bureau: American Community Survey

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

Residential Real Estate Lending Borrower Profile Tables

Distribution of 2020 and 2021 Residential Lending By Borrower Income Level									
Assessment Area: Gary, IN MD 23844									
Borrower Income Level	Bank Loans By Year								Families by Family Income %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	2	8.7	175	3.0	16.8
Moderate	0	0.0	0	0.0	3	13.0	465	7.9	14.1
Middle	3	17.6	504	12.0	5	21.7	1,027	17.5	20.1
Upper	12	70.6	3,378	80.6	13	56.5	4,200	71.6	49.1
Unknown	2	11.8	312	7.4	0	0.0	0	0.0	0.0
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>4,193</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>5,867</b>	<b>100.0</b>	<b>100.0</b>

Source: 2021 FFIEC Census Data  
2011-2015 U.S. Census Bureau: American Community Survey  
Note: Percentages may not total 100.0 percent due to rounding.

Distribution of 2019 Residential Lending By Borrower Income Level					
Assessment Area: Gary, IN MD 23844					
Borrower Income Level	Bank Loans				Families by Family Income %
	#	#%	\$(000)	%	
Low	2	28.6	362	49.3	16.8
Moderate	1	14.3	159	21.7	14.1
Middle	1	14.3	10	1.4	20.1
Upper	2	28.6	195	26.6	49.1
Unknown	1	14.3	8	1.1	0.0
<b>Total</b>	<b>7</b>	<b>100.0</b>	<b>734</b>	<b>100.0</b>	<b>100.0</b>

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

Small Business Lending Borrower Profile Tables

Distribution of 2020 and 2021 Small Business Lending By Revenue Size of Businesses									
Assessment Area: Gary, IN MD 23844									
	Bank Loans By Year								Total Businesses %
	2020				2021				
	#	#%	\$(000)	%	#	#%	\$(000)	%	
<b>By Revenue</b>									
<b>\$1 Million or Less</b>	10	100.0	1,977	99.9	11	91.7	2,432	85.9	92.0
<b>Over \$1 Million</b>	0	0.0	0	0.0	1	8.3	398	14.1	6.9
<b>Revenue Unknown</b>	0	0.0	0	0.0	0	0.0	0	0.0	1.1
<b>Total</b>	10	100.0	1,978	100.0	12	100.0	2,830	100.0	100.0
<b>By Loan Size</b>									
<b>\$100,000 or Less</b>	5	50.0	228	11.5	1	8.3	50	1.8	
<b>\$100,001 - \$250,000</b>	3	30.0	469	23.7	7	58.3	1,429	50.5	
<b>\$250,001 - \$1 Million</b>	2	20.0	1,280	64.7	4	33.3	1,351	47.7	
<b>Total</b>	10	100.0	1,978	100.0	12	100.0	2,830	100.0	
<b>By Loan Size and Revenue \$1 Million or Less</b>									
<b>\$100,000 or Less</b>	5	50.0	228	11.5	1	9.1	50	2.1	
<b>\$100,001 - \$250,000</b>	3	30.0	469	23.7	7	63.6	1,429	58.8	
<b>\$250,001 - \$1 Million</b>	2	20.0	1,280	64.7	3	27.3	953	39.2	
<b>Total</b>	10	100.0	1,977	100.0	11	100.0	2,432	100.0	
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.									



<b>Distribution of 2019 Small Business Lending By Revenue Size of Businesses</b>					
<b>Assessment Area: Gary, IN MD 23844</b>					
	<b>Bank Loans</b>				<b>Total Businesses %</b>
	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	4	80.0	708	94.7	91.3
<b>Over \$1 Million</b>	1	20.0	40	5.3	7.6
<b>Revenue Unknown</b>	0	0.0	0	0.0	1.1
<b>Total</b>	5	100.0	748	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	2	40.0	112	15.0	
<b>\$100,001 - \$250,000</b>	2	40.0	325	43.4	
<b>\$250,001 - \$1 Million</b>	1	20.0	311	41.6	
<b>Total</b>	5	100.0	748	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	1	25.0	72	10.2	
<b>\$100,001 - \$250,000</b>	2	50.0	325	45.9	
<b>\$250,001 - \$1 Million</b>	1	25.0	311	43.9	
<b>Total</b>	4	100.0	708	100.0	
<p>Source: 2019 FFIEC Census Data            2019 Dun &amp; Bradstreet Data            2011-2015 U.S. Census Bureau: American Community Survey</p> <p>Note: Percentages may not total 100.0 percent due to rounding.</p>					

**APPENDIX C – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>		January 1, 2019 – December 31, 2022	
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
First State Bank of Porter			Residential Real Estate Small Business
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Partial Porter County- Gary, Indiana, MD 23844	Full scope	None	N/A

## APPENDIX D – Glossary

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

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

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

**American Community Survey Data (ACS):** The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.<sup>2</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>2</sup> Source: FFIEC press release dated October 19, 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Income Level:** Income level means:

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

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

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

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

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

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

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

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

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

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

**Metropolitan Area:** A metropolitan statistical area (MSA) or a metropolitan division (MD) as

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

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

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

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

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

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

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

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

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



**Small Farm:** 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).