

## **PUBLIC DISCLOSURE**

May 8, 2023

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

North Shore Bank of Commerce  
131 West Superior Street  
P.O. Box 16450  
Duluth, Minnesota 55802  
RSSD 126553

**Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue, P.O. Box 291  
Minneapolis, MN 55480-0291**

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

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*Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.*

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory**

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

The Community Reinvestment Act (CRA) performance of North Shore Bank of Commerce, Duluth, Minnesota, demonstrates reasonable responsiveness to the credit needs of its assessment areas (AA) and excellent responsiveness to community development needs of its AA. The CRA evaluation uses the Intermediate Small Bank (ISB) Examination Procedures, which includes a Lending Test and a Community Development Test.

The bank's Lending Test performance is Satisfactory. The following factors support the Lending Test rating:

- Overall, the bank's lending to borrowers of different income levels and to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects a reasonable distribution and dispersion throughout the AA.
- The bank's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the AA.
- The bank originated a substantial majority of its loans throughout the AA.

The Community Development Test rating is Outstanding, based on the following criteria:

- Overall, the bank's performance demonstrates excellent responsiveness to the community development needs of its AA. The bank's level of community development loans and qualified investments and donations are excellent. The bank's level of community development services is adequate, considering the bank's capacity and the need for availability of such opportunities in the AA.

The bank received a Satisfactory rating at the previous evaluation dated December 18, 2018. At that time, examiners evaluated the bank's CRA performance using the Small Bank Examination Procedures.

## **SCOPE OF EVALUATION**

The evaluation of the bank's CRA performance is based in part on information provided by bank management and community contacts. Examiners analyzed information from these sources, as well as economic and demographic characteristics, competitive factors, and the size and financial condition of the bank, to understand and evaluate the bank's performance. The CRA evaluation covers the period from the previous CRA evaluation to December 31, 2022.

The bank's evaluation was based on the lending and community development activity in the bank's only AA, the Duluth MN-WI MSA, which consists of Carlton, Lake, and St. Louis counties in Minnesota and Douglas County in Wisconsin.

Throughout this evaluation, examiners used demographic characteristics in evaluating the bank's record of lending in the AA. Sources for demographic information are primarily the 2022 Federal Financial Institutions Examination Council (FFIEC) adjusted census data and the 2022 Dun & Bradstreet data. AA demographics are useful in analyzing the bank's lending because they provide a means of estimating lending opportunities. Examiners used self-reported data collected and published by Dun & Bradstreet regarding the revenue size and location of businesses to evaluate the bank's small business lending. The

demographic data does not define an expected level of lending in a particular area or to a particular group of borrowers.

Examiners weighted the bank’s performance as follows to derive the overall rating:

- Examiners assigned more weight to the Lending Test than to the Community Development Test because the bank primarily serves its communities through its lending activities.
- For the Lending Test, examiners placed equal weight on the bank’s lending to borrowers of different income levels, to businesses of different sizes, and to the geographic distribution of loans. By product, examiners placed the most weight on HMDA lending, followed by small business lending and lastly consumer lending.

For community contacts, examiners interviewed people familiar with the economic and demographic characteristics, including community development opportunities, in the bank’s AA. The evaluation includes specific information obtained from these community contacts. The contacts did not identify any unmet credit needs in the AA.

**LENDING TEST SCOPE**

The scope of the Lending Test covers the bank’s major product lines, consisting of residential real estate, commercial, and consumer loans. The following table shows the bank’s lending activity by loan type for 2022.

<b>Loan Originations from January 1, 2022, Through December 31, 2022<sup>1</sup></b>				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Consumer	312	33.5%	9,481,970	5.0%
Residential Real Estate	208	22.4%	44,734,953	23.8%
Small Business (≤ \$1 million)	197	21.2%	40,958,144	21.8%
Commercial (> \$1 million)	16	1.7%	50,679,654	26.9%
Construction/Land Development/Bare Land	68	7.3%	26,660,397	14.2%
Home Equity Lines of Credit	126	13.5%	15,442,311	8.2%
Letters of Credit	3	0.3%	308,750	0.2%
<b>Total</b>	<b>930</b>	<b>100.0</b>	<b>\$188,266,179</b>	<b>100.0</b>

The Lending Test is based on a statistical sample of the bank’s small business and consumer loans. The loan sample includes 100 small business loans originated between January 1, 2022, and December 31, 2022, and 115 consumer loans originated between July 1, 2022, and December 31, 2022.<sup>2</sup> Because the bank has offices in an MSA and is required to report HMDA loans, examiners also analyzed the bank’s

<sup>1</sup> Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

<sup>2</sup> In 2020 and 2021, the bank participated in Paycheck Protection Program (PPP) lending through the Federal Reserve System and the Small Business Administration (SBA). These loans are designed to help businesses keep their workforce employed during the COVID-19 pandemic. Examiners considered the bank’s PPP loans in their evaluation of the bank’s small business loans as well as community development loans. Three PPP loans qualified as community development loans and were considered under the Community Development Test.

2018, 2019, 2020, 2021, and 2022 HMDA-reportable loans. Examiners reviewed the 2018, 2019, and 2020 data but did not include a detailed analysis of this data in this evaluation. Examiners compared the bank's HMDA lending performance to that of aggregate lenders that report HMDA loans originated or purchased in the AA.

Examiners analyzed the following criteria to determine the Lending Test rating:

- Lending to businesses of different sizes and to borrowers of different income levels.
- Geographic distribution of loans.
- Net loan-to-deposit ratio.
- Lending inside the AA.
- The bank's record of responding to complaints about its CRA performance.

### COMMUNITY DEVELOPMENT TEST SCOPE

Examiners reviewed the bank's community development lending, qualified investments, and community development services since the previous evaluation for the AA and for broader regional or statewide areas. Examiners based the Community Development Test rating on the bank's performance during the period of December 9, 2018, to December 31, 2022.

### **DESCRIPTION OF INSTITUTION**

*Structure.* North Shore Bank of Commerce is headquartered in Duluth and is wholly owned by North Shore Financial Corporation, a one-bank holding company.

*Offices and Retail Delivery Systems.* The bank's main office and nearby Auto Bank (drive-up facility) and Lakeside branch are located in downtown Duluth. The bank has three full-service branches in addition to its main office: Lakeside and Woodland, which are located in Duluth, and one branch in Hermantown, Minnesota. The bank also operates two loan production offices located in Cloquet, Minnesota, and Superior, Wisconsin. The bank's main office and Auto Bank are located in unknown-income census tracts in downtown Duluth, Minnesota.

The bank offers a surcharge-free ATM network and telephone, online, and mobile banking options that include capabilities to review accounts, transfer funds, make payments, and view periodic statements. Customers can complete consumer and residential real estate loan applications and open deposit accounts from the bank's website.

*Loan Portfolio.* According to the March 31, 2023, Report of Condition, the bank's assets total \$415.9 million. Overall, this represents a 50.4% increase since the previous evaluation. The bank's \$302.5 million loan portfolio consists of 45.4% residential real estate, 43.5% commercial, 9.8% consumer, and 1.3% other loans. The loan portfolio increased by 62.5% since the previous evaluation. The bank's consumer closed-end loans increased significantly, from \$1.0 million to \$12.7 million, due to an increase in indirect lending. Commercial loans and residential real estate loans increased by 85.8% and 57.9%, respectively.

*Credit Products.* The bank is primarily a residential real estate and commercial lender but offers other traditional credit products to serve the needs of its customers. The bank offers a variety of residential real estate loans, including conventional mortgages, home improvement loans, and temporary construction loans. In addition, the bank participates in various residential real estate loan programs sponsored by the Minnesota Housing Finance Agency (MHFA), Wisconsin Housing and Economic Development

Authority (WHEDA), Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), and Small Business Administration (SBA) loan programs. Consumer loan products include traditional closed- and open-end loans, including home equity and overdraft protection lines of credit.

*Market Share.* According to the June 30, 2022, FDIC Deposit Market Share Report, the bank had \$363.7 million in deposits in its AA. The bank ranks fifth out of 27 financial institutions that have offices in the AA, with 6.0% of the market share.

**DESCRIPTION OF ASSESSMENT AREA**

*Assessment Area.* The bank has one AA for CRA purposes within the Duluth MN-WI MSA. Since the previous evaluation, the U.S. Office of Management and Budget’s (OMB) delineation for the MSA changed in 2019 and now includes Lake County in addition to Carlton and St. Louis counties in Minnesota and Douglas County in Wisconsin. The bank’s AA includes all of the Duluth MN-WI MSA with the exception of the six northernmost census tracts in St. Louis County. Since the last evaluation, the number and boundaries of census tracts changed based on 2020 U.S. Census Data as well as the income classifications of some tracts. At the time of the previous evaluation, the bank’s AA consisted of 84 census tracts: eight low-, 16 moderate-, 42 middle-, 16 upper-, and two unknown-income census tracts. The AA now consists of 98 census tracts: three low-, 21 moderate-, 49 middle-, 20 upper-, and five unknown-income census tracts. Three of the five unknown-income census tracts cover portions of Lake Superior.

The following table shows the demographic characteristics of the AA based on the 2022 FFIEC adjusted census data<sup>3</sup> and 2022 Dun & Bradstreet data.

AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	3	3.1	1,033	1.5	390	37.8	13,023	18.6
Moderate	21	21.4	11,641	16.7	1,496	12.9	12,800	18.3
Middle	49	50.0	38,914	55.7	2,280	5.9	15,973	22.9
Upper	20	20.4	17,833	25.5	319	1.8	28,099	40.2
Unknown	5	5.1	474	0.7	217	45.8	0	0.0
<b>Total AA</b>	<b>98</b>	<b>100.0</b>	<b>69,895</b>	<b>100.0</b>	<b>4,702</b>	<b>6.7</b>	<b>69,895</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	3,455	653	0.8	18.9	2,392	69.2	410	11.9
Moderate	26,516	13,866	16.1	52.3	9,384	35.4	3,266	12.3
Middle	78,925	49,204	57.2	62.3	15,074	19.1	14,647	18.6

<sup>3</sup> The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data, and it also reflects the OMB’s metropolitan statistical area revisions.

AA Demographics								
Upper	29,504	22,048	25.6	74.7	4,303	14.6	3,153	10.7
Unknown	2,765	263	0.3	9.5	2,162	78.2	340	12.3
<b>Total AA</b>	<b>141,165</b>	<b>86,034</b>	<b>100.0</b>	<b>60.9</b>	<b>33,315</b>	<b>23.6</b>	<b>21,816</b>	<b>15.5</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	684	5.8	573	5.4	107	10.8	4	1.7
Moderate	1,823	15.4	1,597	15.1	198	19.9	28	12.0
Middle	5,528	46.7	4,983	47.0	399	40.1	146	62.4
Upper	2,905	24.5	2,698	25.4	166	16.7	41	17.5
Unknown	894	7.6	755	7.1	124	12.5	15	6.4
<b>Total AA</b>	<b>11,834</b>	<b>100.0</b>	<b>10,606</b>	<b>100.0</b>	<b>994</b>	<b>100.0</b>	<b>234</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.6</b>		<b>8.4</b>		<b>2.0</b>

*Income.* For purposes of classifying borrower income, this evaluation relies on the FFIEC median family income for the year of loan origination. The following table shows the estimated income for each year and the range for low-, moderate-, middle-, and upper-income borrowers. For purposes of classifying census tracts by income level, this evaluation uses the FFIEC adjusted census data median family income for the Duluth MN-WI MSA, which was \$64,033 in 2018, 2019, 2020, and 2021, and \$77,796 in 2022.

**Borrower Income Levels  
Duluth MN-WI MSA**

FFIEC Estimated Median Family Income		Low	Moderate	Middle	Upper
		0 - 49.99%	50% - 79.99%	80% - 119.99%	120% - & above
2018	\$71,400	0 - \$35,699	\$35,700 - \$57,119	\$57,120 - \$85,679	\$85,680 - & above
2019	\$69,500	0 - \$34,749	\$34,750 - \$55,599	\$55,600 - \$83,399	\$83,400 - & above
2020	\$72,700	0 - \$36,349	\$36,350 - \$58,159	\$58,160 - \$87,239	\$87,240 - & above
2021	\$74,700	0 - \$37,349	\$37,350 - \$59,759	\$59,760 - \$89,639	\$89,640 - & above
2022	\$88,200	0 - \$44,099	\$44,100 - \$70,559	\$70,560 - \$105,839	\$105,840 - & above

*Population Characteristics.* The population in the Duluth AA is 291,638. The following table shows the population change from the 2015 U.S. Census Bureau American Community Survey (ACS) to the 2020 census. The population growth in the Duluth AA is minimal and is less than the state of Minnesota's growth.

Duluth MSA Population			
Area	2015 Population	2020 Population	Percent Change
2022 Duluth AA	290,498	291,638	0.4%
Carlton County, MN	35,443	36,207	2.2%
Lake County, MN	10,750	10,905	1.4%
St. Louis County, MN	200,506	200,231	-0.1%
Douglas County, WI	43,799	44,295	1.1%
Minnesota	5,419,171	5,706,494	5.3%
Wisconsin	5,742,117	5,893,718	2.6%
Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census Note: Percentages may not total 100.0 percent due to rounding			

*American Indian Reservation.* The bank’s AA includes the Fond du Lac Reservation, which is the reservation of the Fond du Lac Band of Lake Superior Chippewa. The Fond du Lac Reservation is in the southern portion of St. Louis County and the northern portion of Carlton County and consists of middle-income census tracts. The population of the reservation is 4,011 according to 2013 to 2017 ACS data.

*Economy.* Duluth is the largest city in Minnesota outside the Minneapolis-St. Paul MN-WI MSA and is a regional economic center. According to bank management and community contacts, the AA has a diverse economy and is stable. The area has a variety of industries including healthcare, hospitality and tourism, manufacturing, aviation, higher education, and government. A community contact stated that the area is known for its higher education and traditionally, graduates leave the area. However, the option of remote work during the pandemic helped retain a portion of the graduates within the community. While the area experienced more interest due to increased remote work opportunities during the pandemic, it also experienced increased Internet infrastructure problems, according to bank management.

According to the Bureau of Labor Statistics, the 2021 unemployment rate for the AA was 3.9%, which is similar to the rate for the state of Wisconsin and somewhat higher than the rate for the state of Minnesota. The rates for the AA and the counties and states within the AA increased during the pandemic but have since stabilized and returned to lower levels. Bank management said that unemployment is low in the AA, and many businesses are trying to fill open positions but receive few applicants. The following table shows unemployment rates for the AA as well as the counties and states included in the AA.

Duluth AA Unemployment Rates				
Area	2018	2019	2020	2021
Duluth AA	4.0%	4.3%	7.6%	3.9%
Carlton County, MN	4.4%	4.7%	7.4%	4.0%
Lake County, MN	3.4%	3.8%	7.4%	3.6%
St. Louis County, MN	4.0%	4.3%	7.4%	3.8%
Douglas County, WI	3.9%	4.0%	9.1%	4.4%
Minnesota	3.1%	3.4%	6.3%	3.4%
Wisconsin	3.0%	3.2%	6.3%	3.8%
Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics				

*Housing.* Affordable housing has become a crisis in the AA due to the lack of inventory, according to both community contacts and bank management, and is impacting both renters and homeowners. The lack of affordable housing has impeded economic development in the area. The current housing stock is aging and requires considerable repairs, according to a community contact. Due to the lack of available space in the downtown areas of Duluth, builders are expanding further outside of the city. Several projects to construct multi-family apartment buildings with affordable rents are either newly completed or slated to begin in the near future, according to bank management and community contacts. The City of Duluth is evaluating opportunities in downtown Duluth to convert vacant buildings and parking lots into affordable multi-family housing. A recent housing project converted the St. Louis County jail into a mixed-income, 33-unit apartment complex located in downtown Duluth.

Table 6 shows the housing cost burden faced by renters and homeowners in the Duluth AA. The U.S. Department of Housing and Urban Development defines cost-burdened families as those who pay more than 30% of their income for housing and may have difficulty affording necessities such as food, clothing, transportation, and medical care. The overall burden for renters in the Duluth AA is slightly higher than it is for renters in statewide Wisconsin and consistent with statewide Minnesota. Low-income renters have a significant housing cost burden and although low-income homeowners fare slightly better, the burden is also significant.

Duluth AA Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Duluth AA	63.3%	28.0%	41.4%	56.3%	24.3%	16.9%
Carlton County, MN	58.3%	15.2%	34.2%	56.9%	27.1%	16.9%
Lake County, MN	68.0%	16.1%	32.6%	55.5%	26.8%	18.5%
St. Louis County, MN	64.8%	30.7%	44.4%	54.1%	23.6%	16.4%
Douglas County, WI	58.1%	25.1%	34.0%	66.0%	24.7%	19.0%
Minnesota	71.1%	24.8%	41.2%	59.5%	27.2%	17.0%
Wisconsin	74.1%	21.4%	39.6%	64.0%	29.4%	18.1%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2015-2019 Comprehensive Housing Affordability Strategy</i>						

According to 2022 FFIEC adjusted data, the median age of the housing stock is 61 years, which is higher than the statewide median age of 43 years for Minnesota. The median housing value for the AA is \$162,623 and the affordability ratio is 36.3, compared to \$235,700 and 31.1 for the state of Minnesota, respectively. The affordability ratio is the median household income divided by the median housing value. A higher ratio indicates greater affordability. These ratios suggests that, overall, housing in the AA is slightly more affordable than in other areas of the state.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank’s CRA rating is Satisfactory. The rating is based on a Satisfactory rating for the Lending Test and an Outstanding rating for the Community Development Test.

**LENDING TEST**

Examiners rated the bank’s Lending Test performance Satisfactory. The following factors support the Lending Test rating:

- The bank’s lending to borrowers of different income levels and to businesses of different sizes is reasonable.
- The geographic distribution of loans reflects a reasonable distribution and dispersion throughout the AA.
- The bank’s net loan-to-deposit ratio reflects a reasonable level of lending.
- The bank originated a substantial majority of loans within the AA.

**LOAN-TO-DEPOSIT RATIO ANALYSIS**

The bank’s net loan-to-deposit ratio is reasonable given its asset size, financial condition, and the credit needs of and competition in the AA. As of March 31, 2023, the net loan-to-deposit ratio for the bank is 85.5%, which is above the national peer group average’s net loan-to-deposit ratio of 74.5%. The bank’s national peer group includes insured commercial banks having assets between \$300 million and \$1 billion. There are no similarly situated FDIC-insured institutions operating in the bank’s AA for comparison purposes.

The bank’s 18-quarter average net loan-to-deposit ratio for this evaluation is 79.0%. At the previous evaluation, the bank’s 17-quarter average net loan-to-deposit ratio was 75.3%. Since then, the bank’s net loan-to-deposit ratio has ranged from a low of 72.5% (December 2020) to a high of 90.2% (June 2021). The bank faces competition from large national banks, regional banks, credit unions, and mortgage companies given the large number of financial institutions operating in the Duluth MN-WI MSA. The bank’s net loan-to-deposit ratio is reasonable given the credit needs and opportunities in the AA. The bank is an active lender in a highly competitive market. The bank’s net loan-to-deposit ratio demonstrates the bank’s willingness to meet the credit needs in its AA. In addition, community contacts did not identify any unmet credit needs.

**COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA**

The bank originated a substantial majority of its loans within its AA; specifically, 92.5% of loans by number and 92.0% by dollar amount. The following table shows lending activity by loan inside and outside the AA.

<b>Distribution of Loans Inside and Outside the AA</b>								
<b>Loan Category</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
HMDA	4,109	93.0	866,084	92.5	311	7.0	70,636	7.5
Small Business	82	82.0	14,215	71.9	18	18.0	5,559	28.1
Consumer	95	82.6	2,878	81.4	20	17.4	659	18.6
<b>Total</b>	<b>4,286</b>	<b>92.5</b>	<b>883,178</b>	<b>92.0</b>	<b>349</b>	<b>7.5</b>	<b>76,854</b>	<b>8.0</b>

Bank management intends to primarily serve the credit needs of borrowers within the Bank’s AA and occasionally makes loans outside of the AA, typically to maintain customer relationships. The bank’s lending reflects management’s commitment to meeting the credit needs of the residents and businesses within its AA.

**LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES**

*Residential Real Estate Lending.* The bank’s lending to low- and moderate-income borrowers is reasonable. The following tables show the bank’s HMDA lending by borrower income levels for 2021 and 2022.<sup>4</sup> For 2022, aggregate data was not available at the time of this evaluation.

<b>Distribution of 2021 and 2022 Home Mortgage Lending by Borrower Income Level Duluth AA</b>											
<b>Borrower Income Level</b>	<b>Bank And Aggregate Loans By Year</b>										<b>Families by Family Income %</b>
	<b>2021</b>						<b>2022*</b>				
	<b>Bank</b>		<b>Agg</b>	<b>Bank</b>		<b>Agg</b>	<b>Bank</b>				
	<b>#</b>	<b>#%</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>#%</b>	<b>\$(000)</b>	<b>%</b>	
<b>Home Purchase Loans</b>											
<b>Low</b>	43	7.7	10.4	5,756	4.5	5.5	44	8.9	6,383	5.1	18.6
<b>Moderate</b>	113	20.2	20.0	18,745	14.6	15.3	128	25.9	24,502	19.4	18.3
<b>Middle</b>	155	27.7	21.4	34,258	26.6	20.8	112	22.6	26,338	20.9	22.9
<b>Upper</b>	226	40.4	28.5	66,716	51.8	39.7	193	39.0	65,426	51.9	40.2
<b>Unknown</b>	23	4.1	19.8	3,288	2.6	18.6	18	3.6	3,484	2.8	0.0
<b>Total</b>	560	100.0	100.0	128,763	100.0	100.0	495	100.0	126,133	100.0	100.0
<b>Refinance Loans</b>											
<b>Low</b>	12	3.5	6.5	1,326	1.9	3.6	2	2.3	209	1.1	18.6
<b>Moderate</b>	58	16.9	16.8	8,165	11.9	12.3	20	23.3	3,310	17.0	18.3
<b>Middle</b>	100	29.2	24.4	18,306	26.6	21.6	20	23.3	4,362	22.4	22.9
<b>Upper</b>	151	44.0	36.0	34,637	50.3	44.4	33	38.4	9,221	47.5	40.2
<b>Unknown</b>	22	6.4	16.2	6,372	9.3	18.1	11	12.8	2,328	12.0	0.0
<b>Total</b>	343	100.0	100.0	68,806	100.0	100.0	86	100.0	19,430	100.0	100.0
<b>Home Improvement Loans</b>											
<b>Low</b>	2	11.8	10.7	55	4.5	5.5	2	6.9	45	2.7	18.6
<b>Moderate</b>	7	41.2	18.2	270	22.1	13.3	4	13.8	155	9.3	18.3
<b>Middle</b>	2	11.8	21.1	70	5.7	18.4	5	17.2	189	11.4	22.9
<b>Upper</b>	4	23.5	47.5	422	34.5	59.2	17	58.6	1,172	70.6	40.2
<b>Unknown</b>	2	11.8	2.5	407	33.3	3.7	1	3.4	100	6.0	0.0
<b>Total</b>	17	100.0	100.0	1,224	100.0	100.0	29	100.0	1,661	100.0	100.0
<b>Total Home Mortgage Loans</b>											
<b>Low</b>	57	6.1	8.2	7,137	3.6	4.4	49	7.8	6,719	4.5	18.6
<b>Moderate</b>	178	19.1	18.0	27,180	13.6	13.6	155	24.8	28,099	18.9	18.3
<b>Middle</b>	257	27.6	22.9	52,634	26.4	21.1	139	22.2	31,042	20.9	22.9
<b>Upper</b>	392	42.1	33.2	102,480	51.4	42.6	250	40.0	76,484	51.5	40.2
<b>Unknown</b>	47	5.0	17.7	10,067	5.0	18.3	32	5.1	6,032	4.1	0.0
<b>Total</b>	931	100.0	100.0	199,498	100.0	100.0	625	100.0	148,376	100.0	100.0
<p>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. *Aggregate data is not currently available. Multifamily loans are not included in the borrower distribution analysis.</p>											

<sup>4</sup> For HMDA loans, examiners did not evaluate the following categories of loans: other purpose, other purpose lines of credit, and loans with a purpose of not applicable.

In 2022, the bank originated 7.8% of its HMDA loans to low-income borrowers and 24.8% to moderate-income borrowers. Low- and moderate-income families make up 18.6% and 18.3% of families in the AA, respectively, according to FFIEC adjusted census data for 2022. The bank's lending for low-income borrowers is below demographics but exceeds demographics for moderate-income borrowers. The largest portion of the bank's HMDA loans are home purchase loans. The bank made 8.9% and 25.9% of home purchase loans to low- and moderate-income borrowers, respectively. The bank's lending for home purchase loans is below demographics for low-income borrowers but exceeds demographics for moderate-income borrowers, which is notable considering the shortage of affordable housing in the AA.

For 2021, low- and moderate-income families make up 19.5% and 17.5% of families in the AA, respectively. The bank originated 6.1% of its HMDA loans to low-income borrowers and 19.1% to moderate-income borrowers. The bank's lending is below aggregate lenders at 8.2% and is below demographics for low-income borrowers. The bank's lending to moderate-income borrowers is comparable to aggregate lenders at 18.0% and exceeds demographics. Similar to 2022 HMDA data, most of the bank's HMDA lending consists of home purchase loans. The bank's home purchase lending is below demographics for low-income borrowers but exceeds demographics for moderate-income borrowers at 7.7% and 20.2%, respectively. Similarly, the bank's home purchase lending to low-income borrowers is below aggregate lenders at 10.2% and consistent with aggregate lenders at 20.0% for moderate-income borrowers. The bank's record of home purchase lending to low- and moderate-income borrowers is noteworthy given housing costs in the AA and the significance of homeownership in building wealth.

The bank's HMDA lending is reasonable given the performance context. As previously stated, affordable housing is a major concern in the AA. Using the assumption that a borrower can afford a home for approximately three times their annual income, an individual with the highest income in the low-income bracket (\$44,099) could afford a \$132,297 home, based on the 2022 FFIEC estimated median family income for the Duluth MN-WI MSA. Using the same assumption for a borrower with the highest income in the moderate-income bracket (\$70,559), a borrower could afford a \$211,677 home. According to the 2022 FFIEC census data, the median housing value in the AA is \$162,623, which would not be affordable for many low-income families. Community contacts stated that the housing inventory is limited and aging, which would require additional funds to update and remodel existing homes. The median age of the housing stock in the AA is 61 years, according to 2022 FFIEC census data. Given these factors, it is unlikely that many low-income borrowers could afford a home.

Additionally, the bank operates in a very competitive market. In 2021, the bank ranked second of 291 HMDA reporters. The bank's lending represents 13.2% of home purchase loans originated in 2021 and 5.2% of refinance loans originated. The top ten reporters include regional banks, national banks, and Internet-based mortgage lenders.

Examiners evaluated the bank's 2018, 2019, and 2020 HMDA lending activity and determined that the bank's performance was generally consistent with that of 2021 and 2022. Overall, the bank's HMDA lending performance is reasonable.

*Small Business Lending.* The bank's small business lending is reasonable. The following table shows the bank's small business lending.

Distribution of 2022 Small Business Lending by Revenue & Loan Size					
Duluth AA					
	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
<b>By Revenue</b>					
<b>\$1 Million or Less</b>	42	51.2	7,111	50.0	89.6
<b>Over \$1 Million</b>	40	48.8	7,105	50.0	8.4
<b>Revenue Unknown</b>	0	0.0	0	0.0	2.0
<b>Total</b>	82	100.0	14,215	100.0	100.0
<b>By Loan Size</b>					
<b>\$100,000 or Less</b>	44	53.7	2,503	17.6	
<b>\$100,001 - \$250,000</b>	17	20.7	2,911	20.5	
<b>\$250,001 - \$1 Million</b>	21	25.6	8,801	61.9	
<b>Total</b>	82	100.0	14,215	100.0	
<b>By Loan Size and Revenues \$1 Million or Less</b>					
<b>\$100,000 or Less</b>	23	54.8	1,224	17.2	
<b>\$100,001 - \$250,000</b>	8	19.0	1,433	20.2	
<b>\$250,001 - \$1 Million</b>	11	26.2	4,454	62.6	
<b>Total</b>	42	100.0	7,111	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>					

The bank originated 51.2% of its small business loans to entities with gross annual revenues of \$1 million or less. The bank’s lending is below demographics (89.6%) but is nonetheless reasonable given the AA’s very competitive banking environment.

Of the bank’s small business loans, 54.0% of the loans were in amounts of \$100,000 or less, which indicates a willingness to serve the credit needs of smaller businesses. In addition, the bank actively participated in the SBA 504 and 7(a) programs. The SBA 504 and 7(a) loan programs promote business growth and job creation by providing long-term, fixed-rate financing for small businesses. The bank’s active participation in the SBA programs helps demonstrate its willingness to serve the credit needs of small businesses.

The bank actively participated in Paycheck Protection Program (PPP) lending between April 2020 and May 2021. The bank originated approximately 300 PPP loans in 2020 and 190 in 2021. The bank originated more than 450 PPP loans to commercial borrowers in the four counties within its AA. The data indicate that 42.3% of these loans were for amounts of less than \$25,000. The bank’s extension of PPP loans during the COVID-19 pandemic was very responsive to the credit needs of small businesses, which enhances the bank’s small business lending performance.

*Consumer Lending.* The bank’s lending to low- and moderate-income borrowers is reasonable. As shown in the following table, the bank originated 11.6% of its consumer loans to low-income borrowers, which is below the percentage of low-income households in the AA (24.4%). The bank originated 27.4% of its consumer loans to moderate-income borrowers, which exceeds the percentage of moderate-income

households in the AA (15.8%). Overall, the bank originated 39.0% of its consumer loans to low- and moderate-income borrowers combined, which is reasonable.

Distribution of 2022 Consumer Lending by Borrower Income Level Duluth AA					
Borrower Income Level	Bank Loans				Households by Household Income %
	#	#%	\$(000)	%	
Low	11	11.6	252	8.8	24.4
Moderate	26	27.4	808	28.1	15.8
Middle	22	23.2	793	27.6	18.1
Upper	36	37.9	1,025	35.6	41.7
Unknown	0	0.0	0	0.0	1.5
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>2,878</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.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution and dispersion of the bank’s loans is reasonable and does not reveal any unexplained gaps in lending.

*Real Estate Lending.* The geographic distribution of the bank’s 2021 and 2022 HMDA loans is reasonable. The following table shows the bank’s 2022 and 2021 HMDA lending. Aggregate lending data for 2022 was not available at the time of this evaluation.

Distribution of 2021 and 2022 Home Mortgage Lending by Income Level of Geography Duluth AA											
Geographic Income Level	Bank And Aggregate Loans By Year										Owner Occupied Units %
	2021						2022*				
	Bank		Agg	Bank		Agg	Bank				
	#	#%	#%	\$(000)	%	%	#	#%	\$(000)	%	
<b>Home Purchase Loans</b>											
Low	25	4.5	4.0	3,443	2.7	3.1	3	0.6	579	0.5	0.8
Moderate	55	9.8	15.1	9,353	7.3	9.9	64	12.9	11,136	8.8	16.1
Middle	253	45.2	57.4	53,290	41.4	53.7	233	47.1	54,888	43.5	57.2
Upper	227	40.5	23.5	62,677	48.7	33.3	194	39.2	58,930	46.7	25.6
Unknown	0	0.0	0.0	0	0.0	0.0	1	0.2	600	0.5	0.3
<b>Total</b>	<b>560</b>	<b>100.0</b>	<b>100.0</b>	<b>128,763</b>	<b>100.0</b>	<b>100.0</b>	<b>495</b>	<b>100.0</b>	<b>126,133</b>	<b>100.0</b>	<b>100.0</b>
<b>Refinance Loans</b>											
Low	21	6.1	2.6	4,628	6.7	1.9	2	2.3	261	1.3	0.8
Moderate	18	5.2	8.7	2,692	3.9	5.7	4	4.7	721	3.7	16.1
Middle	140	40.8	57.5	25,130	36.5	54.2	25	29.1	5,486	28.2	57.2
Upper	164	47.8	31.2	36,356	52.8	38.2	55	64.0	12,962	66.7	25.6

Distribution of 2021 and 2022 Home Mortgage Lending by Income Level of Geography											
Duluth AA											
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0	0.0	0.3
<b>Total</b>	<b>343</b>	<b>100.0</b>	<b>100.0</b>	<b>68,806</b>	<b>100.0</b>	<b>100.0</b>	<b>86</b>	<b>100.0</b>	<b>19,430</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement Loans											
Low	1	5.9	4.3	155	12.7	3.2	0	0.0	0	0.0	0.8
Moderate	3	17.6	7.1	66	5.4	4.5	2	6.9	33	2.0	16.1
Middle	5	29.4	54.3	275	22.5	50.0	9	31.0	624	37.6	57.2
Upper	8	47.1	34.3	728	59.5	42.3	18	62.1	1,004	60.4	25.6
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0	0.0	0.3
<b>Total</b>	<b>17</b>	<b>100.0</b>	<b>100.0</b>	<b>1,224</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>1,661</b>	<b>100.0</b>	<b>100.0</b>
Multifamily Loans											Multi-family Units %
Low	4	40.0	30.0	1,617	10.4	20.4	1	14.3	348	13.4	8.1
Moderate	0	0.0	22.0	0	0.0	27.9	1	14.3	424	16.3	26.5
Middle	4	40.0	38.0	3,597	23.1	27.6	1	14.3	417	16.0	43.6
Upper	2	20.0	10.0	10,330	66.5	24.1	2	28.6	700	26.9	11.9
Unknown	0	0.0	0.0	0	0.0	0.0	2	28.6	715	27.5	9.9
<b>Total</b>	<b>10</b>	<b>100.0</b>	<b>100.0</b>	<b>15,544</b>	<b>100.0</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>2,604</b>	<b>100.0</b>	<b>100.0</b>
Total Home Mortgage Loans											Owner Occupied Units %
Low	51	5.4	3.4	9,843	4.6	3.1	6	0.9	1,188	0.8	0.8
Moderate	77	8.2	11.4	12,176	5.7	8.3	71	11.2	12,314	8.2	16.1
Middle	408	43.4	57.2	82,771	38.5	53.0	272	43.0	61,620	40.8	57.2
Upper	405	43.0	28.0	110,252	51.3	35.6	280	44.3	74,543	49.4	25.6
Unknown	0	0.0	0.0	0	0.0	0.0	3	0.5	1,315	0.9	0.3
<b>Total</b>	<b>941</b>	<b>100.0</b>	<b>100.0</b>	<b>215,042</b>	<b>100.0</b>	<b>100.0</b>	<b>632</b>	<b>100.0</b>	<b>150,980</b>	<b>100.0</b>	<b>100.0</b>
<i>Source: 2022 FFIEC Census Data</i>											
<i>2016-2020 U.S. Census Bureau: American Community Survey</i>											
<i>Note: Percentages may not total 100.0 percent due to rounding. *Aggregate data is not currently available.</i>											

In 2022, the bank originated 0.9% of its HMDA loans in the low-income tracts and 11.2% in the moderate-income tracts. The bank’s record of lending in the low- and moderate-income tracts is consistent with the proportion of owner-occupied units in the low-income tracts at 0.8% and below the proportion in moderate-income tracts at 16.1%. Additionally, 1.5% and 16.7% of the families in the AA reside in low- and moderate-income tracts, respectively, according to 2022 FFIEC adjusted census data. The bank’s performance is comparable to demographics in the low-income census tracts and below demographics in the moderate-income census tracts.

In 2021, the bank originated 5.4% of its HMDA loans in the low-income tracts and 8.2% in the moderate-income tracts. According to 2021 FFIEC adjusted census data, 4.4% and 14.1% of the families in the AA reside in the low- and moderate-income tracts, respectively. For 2021, 2.4% of owner-occupied units were in the low-income census tracts and 12.4% in the moderate-income census tracts. Aggregate lenders originated 3.4% of their loans in the low-income tracts and 11.4% of their loans in the moderate-income tracts. While the bank’s lending in low-income tracts exceeds demographics and aggregate lenders, its lending in the moderate-income tracts is below demographics and aggregate lenders.

Although the bank’s record of lending in moderate-income census tracts falls below demographics for both years and below aggregate lenders for 2021, it is nonetheless reasonable. The bank’s lending is

concentrated in and around Duluth, which is where its branches are located and where the majority of the population in the AA resides. Several other financial institutions have offices in the smaller cities and towns surrounding Duluth and residents need not travel for banking services.

Examiners also evaluated the bank’s 2018, 2019, and 2020 HMDA lending activity and determined that the bank’s performance was generally consistent with that of 2021 and 2022. Overall, the bank’s HMDA lending performance in low- and moderate-income tracts for this evaluation period is reasonable.

*Small Business Lending.* The geographic distribution of small business loans is reasonable. The following table shows the bank’s small business lending by census tract income level, as well as demographic data.

Distribution of 2022 Small Business Lending by Income Level of Geography					
Duluth AA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	2	2.4	340	2.4	5.8
Moderate	6	7.3	851	6.0	15.4
Middle	20	24.4	4,185	29.4	46.7
Upper	37	45.1	5,124	36.0	24.5
Unknown	17	20.7	3,716	26.1	7.6
<b>Total</b>	<b>82</b>	<b>100.0</b>	<b>14,215</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.

The table shows that the bank originated 2.4% of its small business loans in low-income tracts and 7.3% in moderate-income tracts. According to Dun & Bradstreet data, 5.8% of the businesses in the AA are located in the low-income tracts and 15.4% are located in the moderate-income tracts. The bank originated 20.7% of small business loans in the unknown-income tracts, which are in downtown Duluth along Lake Superior. While the bank’s lending in low- and moderate-income census tracts is lower than demographics, it is reasonable.

The bank did not originate small business loans in each of the low- and moderate-income census tracts within the AA. However, the dispersion is reasonable based on the bank’s performance context. In the northern portion of the AA, the bank does not have offices in and around the Iron Range, although many other financial institutions operate there. In the Duluth/Superior area, the bank also experiences strong competition in this area for small business loans.

*Consumer Lending.* The geographic distribution of consumer loans is reasonable. The following table shows the distribution of consumer loans by census tract income level.

Distribution of 2022 Consumer Lending by Income Level of Geography					
Duluth AA					
Geographic Income Level	Bank Loans				Households %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	2.6

Distribution of 2022 Consumer Lending by Income Level of Geography					
Duluth AA					
Moderate	18	18.9	614	21.3	19.5
Middle	52	54.7	1,592	55.3	53.9
Upper	25	26.3	673	23.4	22.1
Unknown	0	0.0	0	0.0	2.0
Tract-Unknown	0	0.0	0	0.0	
<b>Total</b>	<b>95</b>	<b>100.0</b>	<b>2,878</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.

The bank originated 18.9% of its consumer loans in the moderate-income census tracts. The bank’s lending is comparable to demographics, which indicates that 19.5% of households in the AA are in the moderate-income census tracts. Demographic data shows that only 2.6% of households in the AA are in the low-income census tracts. The bank did not make any loans in the three low-income census tracts. Two of these tracts are in downtown Duluth and downtown Superior; the tracts are primarily commercial and industrial areas. The third low-income tract is in Virginia, Minnesota, more than 50 miles from the bank’s offices. Given the performance context, the bank’s record of making consumer loans in the low- and moderate-income census tracts is reasonable.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints concerning the bank since the previous evaluation.

**COMMUNITY DEVELOPMENT TEST**

The bank’s Community Development Test rating is Outstanding. The bank’s community development activities demonstrate excellent responsiveness to the needs of the AA. The bank engaged in community development lending, made qualified investments in the form of securities and donations, and provided community development services.

*Community Development Loans.* The bank’s community development lending is excellent. The bank originated 25 community development loans totaling \$15.9 million, which directly benefit the bank’s AA. Most community development loan dollars financed economic development or revitalization or stabilization efforts by supporting job creation or retention for low- or moderate-income workers or in low- or moderate-income geographies. Three of these loans were PPP loans greater than \$1 million each, which provided small businesses with funds to help retain their workforces. In addition, the bank originated two loans totaling \$1 million to an organization that provides essential community services including temporary housing within the AA.

Because the bank was responsive in meeting the credit and community development needs of its AA, examiners also considered four community development loans totaling \$1.8 million that benefited an area outside of the bank’s AA in Wisconsin. These loans helped retain low- and moderate-income jobs in a county adjacent to Douglas County.

*Qualified Investments.* The bank's level of qualified investments is excellent. The bank purchased two security investments totaling \$1.3 million, which directly benefit the bank's AA. These securities provided community services for low- and moderate-income people by financing school building improvements. Examiners also considered investments made outside of the bank's AA. The bank made one new investment for \$615,000 and continued to hold two prior-period investments totaling \$834,685 that benefited areas outside of the bank's AA. These investments helped revitalize or stabilize moderate-income or distressed geographies by financing school building improvements and infrastructure in a county that is adjacent to the bank's AA.

The bank made an excellent level of donations during the evaluation period. The bank made \$226,065 in donations that directly benefited its AA, and \$44,300 in donations that benefited broader regional areas that include the AA. The bank primarily made donations to support organizations that serve low- and moderate-income individuals, followed by donations to support revitalization and stabilization of low- and moderate-income census tracts and to support economic development in the AA. The bank made notable donations to organizations that provide essential community services such as food and shelter to low- and moderate-income individuals, which was particularly responsive to community needs during the pandemic. The bank also made a \$1,000 donation to an organization outside of its AA; the organization provides refurbished computers and affordable Internet services to low- and moderate-income families.

*Community Development Services.* The bank's level of community development service is adequate. During the evaluation period, bank officers and staff provided 29 community development services to nine organizations that help revitalize or stabilize underserved areas, provide community services to low- and moderate-income people, foster affordable housing efforts, and promote economic development in the bank's AA. A bank officer helped a local affordable housing organization obtain a \$200,000 grant from the Federal Home Loan Bank. This service is responsive to the housing needs in the AA.

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

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B—Equal Credit Opportunity Act, Regulation C—Home Mortgage Disclosure Act, and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

## Appendix A

### Glossary of Common CRA Terms

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

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

**Community development:** An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or 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 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income census tracts, designated disaster areas, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and census tracts.

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

**Distressed nonmetropolitan middle-income census tract:** A middle-income, nonmetropolitan census tract will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% or more over the 5-year period preceding the most recent census.

**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 nonrelatives 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).

**Full-scope review:** Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

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

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (i.e., approved, denied, or withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

**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.

**Limited-scope review:** Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

**Low income:** 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 geography.

**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 metropolitan statistical area/assessment area.

**Metropolitan statistical area (MSA):** An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle income:** 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 geography.

**Moderate income:** 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 geography.

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

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate MSA. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate MSA, the institution will receive a rating for the multistate metropolitan area.

**Small loan to business:** A loan included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

**Small loan to farm:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income census tract:** A middle-income, nonmetropolitan census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper income:** Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)