

PUBLIC DISCLOSURE

February 6, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northstar Bank
RSSD# 2958972

833 South Van Dyke
Bad Axe, Michigan 48413

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

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

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INSTITUTION'S CRA RATING

Northstar Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Northstar Bank is meeting the credit needs of its community based on an analysis of lending and community development activities. The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, its local competitors, and credit needs of the assessment areas. A majority of the loans are originated inside the assessment areas. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Loan distribution reflects reasonable penetration among individuals of different incomes and businesses of different sizes. Neither Northstar Bank nor this Reserve Bank received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

The bank's community development performance demonstrates adequate responsiveness to the needs of its assessment areas through community development loans, qualified investments and donations, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment areas.

SCOPE OF EXAMINATION

Northstar Bank's CRA performance was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examination Council (FFIEC). The evaluation was performed within the context of information about the institution and its assessment areas including asset size, financial condition, competition, and economic and demographic characteristics.

The evaluation included two full-scope reviews and limited-scope review. A full scope review was selected for the Non-Metropolitan Michigan (Michigan Non-MSA) and the Warren-Troy-Farmington Hills, Michigan Metropolitan Division #47664 (Warren, MI MD) assessment areas based on the bank's deposit market share, branch concentration, volume of Home Mortgage Disclosure Act (HMDA)-reportable loans, small business lending, economic and demographic characteristics, and an evaluation of the needs of assessment area communities. The Ann Arbor, Michigan Metropolitan Statistical Area #11460 (Ann Arbor, MI MSA) received a limited scope due to the bank's limited presence in this area. The limited scope review assessment area was evaluated for consistency with the bank's performance in its full scope review assessment areas.

The level of performance within the assessment area was assessed on loan products reviewed and include HMDA-reportable loans originated during 2020 and 2021, as well as small business loans originated in 2021. Small business loans were assigned more weight in the analysis given they

serve as the bank's primary product. The bank's level of community development activity was also evaluated to determine their responsiveness to the needs of the assessment area.

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

- ***Loan-to-Deposit Ratio*** – A 13 quarter average loan-to-deposit (LTD) ratio ending September 30, 2022 was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – Samples of the bank's HMDA-reportable loans originated from January 1, 2020 – December 31, 2021 and small business loans originated from January 1, 2021 – December 31, 2021 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – Samples of the bank's HMDA-reportable loans originated from January 1, 2020 – December 31, 2021 and small business loans originated from January 1, 2021 – December 31, 2021 within the assessment area were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – Samples of the bank's HMDA-reportable from January 1, 2020 – December 31, 2021 and small business January 1, 2021 – December 31, 2021 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank's record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank's responsiveness to community development needs through community development loans, qualified investments, and community development services, from August 6, 2019 – February 6, 2023 were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

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

DESCRIPTION OF INSTITUTION

Northstar Bank is wholly owned by Northstar Financial Group, Inc., a two-bank holding company. Both the bank and the holding company are headquartered in Bad Axe, Michigan. Northstar Bank has four subsidiaries. First is Northstar Financial Group Innovations, LLC (NFGI), which provides bank operational support (including compliance, accounting, deposit operations, and loan operations) to both institutions (Northstar Bank and West Michigan Bank) with a main office in Bad Axe, MI. Next is Northstar Ann Arbor Properties, LLC was created to acquire real estate property for the holding company for a future branch. The final two subsidiaries are Valley Financial Services Inc.; an active self-insurance entity and Cypress Capital Wealth Management, LLC. Northstar Bank's branch network includes the main office and nine full-service branch offices. With the exception of the Akron and Ann Arbor branch offices, all locations have a full-service ATM. Branch offices are located in the cities of Bad Axe, Port Huron, Ubyly, Caro, Akron, Pigeon, St. Clair, Algonac, Lenox/Richmond Township, and Ann Arbor, Michigan. The bank closed its Sandusky branch location as of May 28, 2021. The branch was located in a middle-income census tract.

As of December 31, 2022, the bank reported total assets of \$911.3 million based on the Uniform Banking Performance Report (UBPR). Northstar Bank offers a range of traditional loan products and services. The bank is primarily a commercial and residential real estate lender, as represented in the following loan portfolio table. In response to the COVID-19 pandemic, the bank participated in government-sponsored loan programs, including the Small Business Administration's (SBA) Paycheck Protection Program (PPP). The growth in the commercial lending portfolio can be partially attributed to this program. Additionally, the bank offers a variety of other lending products including agricultural and consumer loans as well as a variety of standard deposit products including checking, savings, money market, individual retirement accounts (IRAs), and certificate of deposit accounts (CDs). Given the bank's financial condition, size, traditional product offerings, and lending opportunities, the bank has been able to meet the credit needs of its assessment areas.

Composition of Loan Portfolio as of December 31, 2022 (000's)		
Type	\$	%
Commercial	537,784	71.8
Residential Real Estate	120,988	16.1
Agriculture	76,320	10.2
Consumer	11,298	1.5
Other	2,907	0.4
Total	749,297	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 5, 2019.

DESCRIPTION OF ASSESSMENT AREA

Northstar Bank operates within three assessment areas throughout the state of Michigan. The designated assessment areas include the Michigan Non-MSA, the Warren, MI MD, and the Ann Arbor, MI MSA. The Michigan Non-MSA is comprised of Huron and Tuscola Counties in their entirety. The Warren, MI MD assessment area is comprised of Macomb and St. Clair Counties in their entirety and the Ann Arbor, MI MSA is comprised of Washtenaw County in its entirety. The combined assessment area includes a total of 394 census tracts and is comprised of 41 low-income, 106 moderate-income, 191 middle-income, 42 upper-income, and 14 unknown-income census tracts. The bank has 11 underserved middle income nonmetropolitan census tracts which have been underserved since 2019 all within Huron County. As of May 28, 2021, the bank has closed its Sandusky Branch in Sanilac County. As a result, this county was removed from the Michigan Non-MSA assessment area. The remaining assessment areas are unchanged since the previous evaluation of August 5, 2019.

There are 626,363 total housing units in the combined assessment area, of which 64.9 percent are owner-occupied, 26.7 percent are rental units, and 8.4 percent are vacant. Of the total housing units in the combined assessment area, 5.2 percent are located in low-income census tracts and 35.8 percent of those units are occupied. Of the total housing units in the combined assessment area, 24.0 percent are located in moderate-income census tracts and 58.6 percent of those units are owner-occupied. Businesses with revenues less than or equal to \$1 million represent 91.0 percent of total businesses. These factors indicate the presence of lending opportunities among low- and moderate-income individuals and small businesses in the combined assessment area.

2021 Combined AA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	41	10.4	26,469	7.2	7,871	29.7	89,473	24.2
Moderate	106	26.9	93,252	25.2	13,295	14.3	72,397	19.6
Middle	191	48.5	188,816	51.1	12,880	6.8	79,082	21.4
Upper	42	10.7	60,906	16.5	1,592	2.6	128,695	34.8
Unknown	14	3.6	204	0.1	67	32.8	0	0.0
Total AA	394	100.0	369,647	100.0	35,705	9.7	369,647	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	58,717	21,035	5.2	35.8	30,748	52.4	6,934	11.8
Moderate	166,670	97,648	24.0	58.6	55,455	33.3	13,567	8.1
Middle	312,822	217,771	53.6	69.6	67,227	21.5	27,824	8.9
Upper	85,087	69,778	17.2	82.0	11,384	13.4	3,925	4.6
Unknown	3,067	194	0.0	6.3	2,458	80.1	415	13.5
Total AA	626,363	406,426	100.0	64.9	167,272	26.7	52,665	8.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	5,042	8.0	4,397	7.7	617	11.9	28	6.0
Moderate	15,297	24.3	13,775	24.1	1,420	27.5	102	21.9
Middle	30,415	48.4	28,020	48.9	2,148	41.6	247	53.1
Upper	10,637	16.9	9,869	17.2	688	13.3	80	17.2
Unknown	1,488	2.4	1,187	2.1	293	5.7	8	1.7
Total AA	62,879	100.0	57,248	100.0	5,166	100.0	465	100.0
Percentage of Total Businesses:				91.0		8.2		0.7
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	9	0.7	9	0.7	0	0.0	0	0.0
Moderate	100	7.5	98	7.5	2	8.3	0	0.0
Middle	1,083	80.9	1,066	81.2	17	70.8	0	0.0
Upper	146	10.9	140	10.7	5	20.8	1	100.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,338	100.0	1,313	100.0	24	100.0	1	100.0
Percentage of Total Farms:				98.1		1.8		0.1
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.								

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Northstar Bank's performance relative to the lending test is Satisfactory based on an analysis of the bank's lending activities. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment areas' credit needs. A majority of the HMDA-reportable and small business loans were originated in the bank's assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the combined assessment area. Additionally, the loan distribution reflects reasonable penetration among individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes. Lastly, no CRA-related complaints were received by the institution nor this Reserve Bank since the previous evaluation.

Loan-to-Deposit Ratio

Northstar Bank has a reasonable loan-to-deposit (LTD) ratio given the bank's size, financial condition, and the credit needs of its assessment areas. As of September 30, 2022, the bank's LTD ratio averaged 80.2 percent over a 13-quarter period. The LTD ratio decreased since the prior evaluation, during which time, the bank had an average LTD ratio of 91.4 percent over a 16-quarter period ending June 30, 2019. The following table compares the bank's LTD ratio to its local competitors.

Comparative Loan-to-Deposit Ratios as of September 30, 2022	
Comparative Data	13 Quarter Average (%)
Northstar Bank	80.2
Peer Avg - Local	60.4
Competitors	
Bay Port State Bank	82.7
First Independent Bank	75.6
Thumb Bank and Trust	66.3
First State Bank	61.0
Chelsea State Bank	59.6
ChoiceOne Bank	59.4
Eastern Michigan Bank	47.2
G.W. Jones Exchange Bank	31.4

Assessment Area Concentration

Northstar Bank made a majority of its loans and other-related activities in the bank's assessment area during the review period.

Overall, the percentage of HMDA-reportable and small business loans originated within the assessment area indicates the bank's responsiveness to assessment area credit needs.

During the evaluation period, Northstar Bank originated 84.2 percent HMDA-reportable and small business loans inside the assessment area. HMDA-reportable loans had the highest concentration of originations inside the assessment area, with a total of 85.9 percent. Small business loans concentration within the assessment area was 82.2 percent. Further, of the small business loans originated, 338 loans were made under the Paycheck Protection Program. The overall total loans originated within the assessment area, including HMDA-reportable and small business loans decreased since the previous evaluation, when the bank originated 90.3 percent of its loans within the assessment area. The following table summarizes Northstar Bank's lending inside and outside its assessment area for HMDA-reportable loans from January 1, 2020 to December 31, 2021 and of small business loans from January 1, 2021 to December 31, 2021.

Lending Inside and Outside the Assessment Area								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	152	84.0	24,742	84.4	29	16.0	4,581	15.6
Home Improvement	15	93.8	2,549	98.8	1	6.3	30	1.2
Multi-Family Housing	24	82.8	20,157	91.6	5	17.2	1,853	8.4
Refinancing	285	86.9	42,121	83.7	43	13.1	8,204	16.3
Total HMDA related	476	85.9	89,569	85.9	78	14.1	14,668	14.1
Total Small Business related	397	82.2	31,447	67.0	86	17.8	15,516	33.0
TOTAL LOANS	873	84.2	121,016	80.0	164	15.8	30,184	20.0

Geographic and Borrower Distribution

Northstar Bank demonstrated a reasonable geographic distribution of loans given the bank's assessment areas. In addition, the borrower distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes. Additional information regarding the bank's geographic and borrower distribution is found within the respective assessment area sections below.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

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

Lending, Investment, and Services Activities

Northstar Bank demonstrates adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services.

During the evaluation period, Northstar Bank originated 35 qualified loans totaling approximately \$39.5 million throughout the combined assessment areas. This is a slight decrease in number, but an increase in dollar volume since the previous evaluation in which the bank had 40 qualified loans totaling approximately \$32.9 million. The majority of the loans were for the purpose of revitalizing, stabilizing, and affordable housing, which were common needs stated by community representatives. Included in these loans are three PPP loans from the SBA.

During the review period the bank originated three qualified investments, one of which was a prior investment, totaling \$3.5 million for the purpose of affordable housing and economic development. The bank has approximately \$2.0 million in new dollars and \$1.5 million in prior period balances. The total amount in the combined assessment area and the broader statewide and regional area (BSRA) reflects a slight increase from the prior evaluation in which the bank had approximately \$3.5 million in qualified investments. Separately, the bank originated 46 qualified donations for community development purposes totaling \$111,100. The donations primarily benefit organizations that focus on community service followed by organizations that focus on revitalization and stabilization as well as economic development. The bank's efforts were notably higher than the 27 donations originated during the previous evaluation totaling \$67,000.

During the review period the bank provided 1,961 qualified community development service hours totaling with a focus on economic development and community service. This reflects a notable increase in hours since the previous evaluation in which the bank maintained a total of 463 hours of providing technical expertise or technical assistance to institutions within its combined assessment area.

Additional details of community development performance can be found in the individual assessment area discussions.

Qualified Community Development Activities								
August 6, 2019 - February 6, 2023								
Assessment Area	Loans		Investments		Donations		Services	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	Hours
Full Review								
Michigan Non-MSA	4	4,418	0	0	8	30	22	1,108
Warren-Troy-Farmington Hills, MI MD #47664	30	34,754	1	1,312	26	53	19	737
Limited Review								
Ann Arbor, MI MSA	0	0	1	734	10	20	3	104
Other								
BSRA	1	288	1	1,500	2	8	4	12
Total	35	39,460	3	3,546	46	111	48	1,961

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.

MICHIGAN NON-MSA – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Michigan Non-MSA assessment area. The scope is consistent with the scope of the examination described within the institution summary. For further information, refer to the "Scope of Examination" section for details.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MICHIGAN NON-MSA¹

Northstar Bank's Michigan Non-MSA assessment area consists of Huron and Tuscola Counties in their entirety. The bank closed its Sandusky Branch in Sanilac County as of May 28, 2021. As a result, the Sanilac County was removed from the Michigan Non-MSA assessment area. Based on the 2021 FFIEC Census data, the census tract composition includes one moderate-income, 24 middle-income, and two unknown-income census tracts. Of those 27 census tracts, 11 census tracts in Huron County have been designated as underserved due to their remote location since 2019. These census tracts include 9501 to 9509, 9511, and 9512.

Within the assessment area, the bank operates its main office and four full-service branch offices. The main office and two branches are located in Huron County while the other two branches are in Tuscola County. With the exception of the Akron branch office, all locations have a full-service ATM.

According to the June 30, 2021 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Northstar Bank ranked second among nine FDIC insured financial institutions operating in Huron and Tuscola Counties. The bank held \$348.8 million in deposits inside the market, representing 21.8 percent of the total deposit market share within the two counties. The financial institutions with the largest percentage of deposit market share include The Huntington National Bank (22.5 percent), Northstar Bank (21.8 percent), and Independent Bank (19.2 percent).

In 2021, Northstar Bank ranked seventh among 201 HMDA-reporters, originating 84 HMDA-reportable loans in the assessment area. By comparison, Frankenmuth Credit Union (445 HMDA loan originations) and Rocket Mortgage LLC, (317 HMDA loan originations) ranked first and second respectively.

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

¹ 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.

2021 MI Non MSA 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	4,349	18.1
Moderate	1	3.7	986	4.1	105	10.6	4,939	20.6
Middle	24	88.9	23,029	95.9	2,437	10.6	5,249	21.9
Upper	0	0.0	0	0.0	0	0.0	9,478	39.5
Unknown	2	7.4	0	0.0	0	0.0	0	0.0
Total AA	27	100.0	24,015	100.0	2,542	10.6	24,015	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,854	1,024	3.6	55.2	586	31.6	244	13.2
Middle	43,620	27,576	96.4	63.2	5,923	13.6	10,121	23.2
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	45,474	28,600	100.0	62.9	6,509	14.3	10,365	22.8
	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	254	8.3	212	7.7	37	15.3	5	6.3
Middle	2,804	91.7	2,525	92.3	205	84.7	74	93.7
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	3,058	100.0	2,737	100.0	242	100.0	79	100.0
Percentage of Total Businesses:				89.5		7.9		2.6
	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	5	0.9	5	0.9	0	0.0	0	0.0
Middle	556	99.1	548	99.1	8	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	561	100.0	553	100.0	8	100.0	0	0.0
Percentage of Total Farms:				98.6		1.4		0.0
<p>Source: 2021 FFIEC Census Data 2021 Dun & 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>								

Population Characteristics

According to the 2015 American Community Survey (ACS) demographic data, the assessment area experienced a decreased in population within both Huron and Tuscola Counties at 2.5 percent and 2.3 percent, respectfully, while the population within the state of Michigan increased by 0.2 percent. According to community representatives, the population has been declining due to the lack of high paying jobs in the assessment area and surrounding counties. Representatives further note that younger generations appear to be moving out of these communities seeking higher education and not returning after graduation to be in close proximity to their place of employment; those that stay in the community are primarily focused on an agricultural career. Additionally, the lack of adequate and affordable housing and rental supply was noted by the community representatives as another issue in retaining residents.

Population Change 2021 MI Non MSA			
Area	2010 Population	2015 Population	Percent Change
MI Non MSA	88,847	86,710	-2.4%
Huron County, MI	33,118	32,290	-2.5%
Tuscola County, MI	55,729	54,420	-2.3%
Michigan	9,883,640	9,900,571	0.2%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Income Characteristics

The following table presents the median family income (MFI) for families living within the assessment area. According to the 2011-2015 ACS data, the MFI in the bank's assessment area experienced a decrease of 2.7 percent since 2010. Similarly, Huron County, Tuscola County, and that state of Michigan experienced decreases of 0.1, 3.5, and 5.3 percent, respectively. Community representatives attributed the decrease to a state-run hospital experiencing challenges due to its limited resources. As a result, many of its patients were moved to other locations. With less patients occupying beds, the hospital did not need to employ as many staff. Over time, the number of beds continued to decline along with the number of staff.

Median Family Income Change 2021 MI Non MSA			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
MI Non MSA	\$54,354	\$52,873	-2.7%
Huron County, MI	\$53,842	\$53,806	-0.1%
Tuscola County, MI	\$54,733	\$52,800	-3.5%
Michigan	\$65,708	\$62,247	-5.3%
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

Housing Characteristics

According to the 2021 FFIEC Census Data, there are a total of 45,474 housing units in the assessment area. The majority of housing units are owner-occupied at 62.9 percent, while 14.3 percent are rental units, and 22.8 percent are vacant. The housing vacancy percentage is higher than the state of Michigan at 15.4 percent and community representatives noted this could be attributed to a number of vacation homes along the coast.

The following table presents recent housing cost burden for groups of income classes within the assessment area, counties with the assessment area, and the state of Michigan. The cost burden is the ratio of a household's gross monthly housing costs to the household's gross monthly income. Housing cost burden, as defined by the Department of Housing and Urban Development (HUD), takes these quantitative ratios, and assigns qualitative values to them. If a household's housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened. If housing cost is above 50.0 percent, then the household is severely housing cost burdened.

Across the assessment area, 39.8 percent of all renters are considered cost burdened. Of the cost burdened renters, 76.6 percent are low-income, and 24.9 percent moderate-income. For homeowners, only 19.0 percent are experiencing housing cost burden within the assessment area, but similar to renters, the majority are low- and moderate-income owners at 64.7 percent and 29.3 percent, respectively.

Community representatives indicated there is a low supply of affordable housing along with few employment opportunities. Given the lack of employment opportunities close to affordable housing, people are moving to areas where both are accessible. There have been initiatives by the state of Michigan and large national firms to expand housing opportunities, however, those efforts tend to be long in processing or the rates are still too high for low- and moderate-income individuals.

Housing Cost Burden 2021 MI Non MSA						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
MI Non MSA	76.6%	24.9%	39.8%	64.7%	29.3%	19.0%
Huron County, MI	75.0%	25.2%	39.7%	58.7%	23.4%	16.4%
Tuscola County, MI	77.6%	24.7%	39.9%	68.5%	33.1%	20.7%
Michigan	75.7%	42.6%	43.9%	66.0%	32.5%	19.0%

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

Employment Characteristics

Overall, the unemployment rates in the assessment area, counties within the assessment area, and the state of Michigan declined between 2017 and 2019, increased between 2019 and 2020, and later stabilized in 2021.

According to community representatives, the significant increase of unemployment rates from 2019 -2020 in the surrounding geographies was attributed to the COVID-19 pandemic but noted that most areas are nearing pre-pandemic unemployment levels. One factor that aided this was the legalization of marijuana in 2018 in Michigan and the subsequent opening of marijuana facilities and businesses. Businesses have been raising wages to incentivize workers to return or gain new employment. Additionally, trades work has a shortage of qualified workers due to a lack of interest from younger generations and older generations retiring without replacements. The following table reflects unemployment rates from the U.S. Bureau of Labor Statistics between 2017 and 2021.

Unemployment Rates 2021 MI Non MSA					
Area	2017	2018	2019	2020	2021
MI Non MSA	5.7%	5.2%	4.9%	9.8%	5.9%
Huron County, MI	5.1%	4.7%	4.5%	8.9%	5.4%
Tuscola County, MI	6.1%	5.5%	5.2%	10.5%	6.3%
Michigan	4.6%	4.2%	4.1%	10.0%	5.9%

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

Industry Characteristics

According to the U.S. Bureau of Labor Statistics and community representatives, the assessment area contains a diverse employment base and is most heavily impacted by the manufacturing, retail, and health care services. Aside from the introduction of the marijuana business, community

representatives have stated industry trends have remained the same. They have also stated the counties have acres of open land that is primarily used for farming.

Community Representatives

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development within the assessment area, as well as provided information regarding the effects on communities due to the COVID-19 pandemic. The representatives noted that affordable housing, along with retaining and gaining residents to fill employment opportunities, remain the biggest needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN NON-MSA

LENDING TEST

Geographic Distribution of Loans

Northstar Bank demonstrates reasonable geographic distribution of loans given the bank's assessment area.

A sample of the bank's HMDA-reportable loans originated from January 1, 2020 – December 31, 2021 and small business loans originated from January 1, 2021 – December 31, 2021, were reviewed to determine dispersion of loans among assessment area geographies.

An analysis of the dispersion of loans throughout the assessment area was conducted to identify any possible conspicuous gaps in lending. In 2020 and 2021, the Michigan Non-MSA assessment area contained 40 and 27 census tracts respectively, of which one was moderate-income. In 2020, the bank originated loans in 65.0 percent of the 40 census tracts to loans in moderate- and middle-income census tracts. In 2021, the bank originated loans in 88.9 percent of the 27 census tracts. The gap analysis indicates that home mortgage and small business loans were originated in a majority of the middle-income census tracts and the one moderate-income census tract across the assessment area; therefore, no disparities are noted.

Specific to HMDA-reportable lending, due to limited lending activity of home improvement and multi-family loans, only home purchase and refinance loans will be discussed.

HMDA-Reportable Loans

The geographic distribution of HMDA-reportable loans reflects excellent dispersion throughout the assessment area. In 2021, the bank originated 15.5 percent of the total HMDA-reportable loans in moderate-income census tracts, which is well above the aggregate and percentage of owner-

occupied units within the geographies at 3.3 percent and 3.6 percent, respectively. Although a limited number of low- and moderate-income census tracts and owner-occupied units in the assessment area can present challenges to lending in these geographies, Northstar Bank was able to outperform aggregate lenders and extend credit beyond the number of owner-occupied units in the midst of a pandemic. The majority (84.5 percent) of the bank's HMDA-reportable loans were originated in middle-income census tracts which is lower than the aggregate and percentage of owner-occupied units within the geographies at 96.7 percent and 96.4 percent, respectively.

Home Purchase Loans

In 2021, home purchase loans represented 41.7 percent of the bank's total HMDA-reportable loans in the Michigan Non-MSA assessment area. The bank originated 22.9 percent of its home purchase loans in moderate-income census tracts. The bank's performance is well above the aggregate at 5.0 percent and the owner-occupied units at 3.6 percent. The majority of home purchase loans were originated in middle-income census tracts at 77.1 percent, which is lower than the aggregate at 95.0 percent and owner-occupied units at 96.4 percent.

Refinance Loans

In 2021, refinance loans represented 53.6 percent of the bank's total HMDA-reportable loans in the Michigan Non-MSA assessment area. The bank originated 11.1 percent of its refinance loans in moderate-income census tracts. The bank's performance is well above the aggregate at 2.3 percent and the owner-occupied units at 3.6 percent. The majority of refinance loans were originated in middle-income census tracts at 88.9 percent, which is lower than the aggregate at 97.7 percent and owner-occupied units at 96.4 percent.

The bank's distribution of HMDA-reportable lending across different geographies in 2020 was consistent with the distribution of loans in 2021. The following table summarizes the bank's 2020 and 2021 HMDA-reportable lending in the assessment area.

Distribution of 2020 and 2021 Home Mortgage Lending By Income Level of Geography													
Assessment Area: MI Non MSA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	12	25.0	3.8	899	15.3	2.4	8	22.9	5.0	786	18.4	3.8	3.6
Middle	36	75.0	96.2	4,980	84.7	97.6	27	77.1	95.0	3,477	81.6	96.2	96.4
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	48	100.0	100.0	5,879	100.0	100.0	35	100.0	100.0	4,263	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	11	10.6	2.2	1,024	7.4	1.6	5	11.1	2.3	432	8.8	1.8	3.6
Middle	93	89.4	97.8	12,744	92.6	98.4	40	88.9	97.7	4,464	91.2	98.2	96.4
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	104	100.0	100.0	13,768	100.0	100.0	45	100.0	100.0	4,896	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	2.8	0	0.0	2.7	0	0.0	1.1	0	0.0	0.2	3.6
Middle	3	100.0	97.2	627	100.0	97.3	4	100.0	98.9	131	100.0	99.8	96.4
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	3	100.0	100.0	627	100.0	100.0	4	100.0	100.0	131	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	12.8
Middle	1	100.0	100.0	169	100.0	100.0	0	0.0	100.0	0	0.0	100.0	87.2
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	1	100.0	100.0	169	100.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Moderate	23	14.7	3.0	1,923	9.4	2.0	13	15.5	3.3	1,218	13.1	2.6	3.6
Middle	133	85.3	97.0	18,520	90.6	98.0	71	84.5	96.7	8,072	86.9	97.4	96.4
Upper	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	156	100.0	100.0	20,443	100.0	100.0	84	100.0	100.0	9,290	100.0	100.0	100.0
Source: 2021 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The lending volume in moderate-income census tracts is 9.1 percent. This is comparable to the percentage of total businesses in moderate-income census tracts at 8.3 percent. A majority (90.9 percent) of the small business loans were originated in middle-income census tracts, which is comparable to the total businesses in these geographies at 91.7 percent. Additionally, the bank's participation in the Paycheck Protection Program increased the overall volume in moderate and middle-income tracts. Of the 274 small business loans, 250 loans were PPP loans. The following table presents the geographic distribution of small business loans in 2021.

Distribution of 2021 Small Business Lending By Income Level of Geography					
Assessment Area: MI Non MSA					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	0.0
Moderate	25	9.1	774	7.1	8.3
Middle	249	90.9	10,106	92.9	91.7
Upper	0	0.0	0	0.0	0.0
Unknown	0	0.0	0	0.0	0.0
Tract-Unk	0	0.0	0	0.0	
Total	274	100.0	10,881	100.0	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.

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

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

Specific to HMDA-reportable lending, due to limited lending activity of home improvement loans, only home purchase and refinance loans will be discussed.

HMDA-Reportable Loans

The borrower distribution of HMDA-reportable loans reflects reasonable penetration among individuals of different income levels. In 2021, the bank originated 11.9 percent of its HMDA-reportable loans to low-income borrowers, which is above the aggregate at 8.3 percent but below the percentage of low-income families in the assessment area at 18.1 percent. The bank originated 25.0 percent of its HMDA-reportable loans to moderate-income borrowers, which is above the

aggregate at 21.4 percent and the percentage of moderate-income families in the assessment area at 20.6 percent. The bank originated 28.6 percent of its HMDA-reportable loans to middle-income borrowers, which is above the aggregate at 25.0 percent and the percentage of middle-income families in the assessment area at 21.9 percent.

The bank's distribution of HMDA-reportable lending to borrowers of different income levels in 2020 was consistent with the distribution of loans in 2021 for low- and middle-income borrowers. However, in 2020, the bank originated 16.1 percent of its HMDA-reportable loans to moderate-income borrowers, which is slightly below the aggregate at 18.5 percent and the percentage of moderate-income families in the assessment area at 20.6 percent.

Home Purchase Loans

In 2021, the bank originated 17.1 percent of its home purchase loans to low-income borrowers, which is above the aggregate at 9.6 percent and comparable to the percentage of low-income families in the assessment area at 18.1 percent. The bank originated 17.1 percent of its home purchase loans to moderate-income borrowers, which is below the aggregate at 23.6 percent and the percentage of moderate-income families in the assessment area at 20.6 percent. The bank originated 28.6 percent of its home purchase loans to middle-income borrowers, which is above the aggregate at 23.7 percent and the percentage of middle-income families in the assessment area at 21.9 percent.

The bank's distribution of home purchase lending to borrowers of different income levels in 2020 was consistent with the distribution of loans in 2021.

Refinance Loans

In 2021, the bank originated 8.9 percent of its refinance loans to low-income borrowers, which is above the aggregate at 7.1 percent but below the percentage of low-income families in the assessment area at 18.1 percent. The bank originated 33.3 percent of its refinance loans to moderate-income borrowers, which is well above the aggregate at 19.8 percent and the percentage of moderate-income families in the assessment area at 20.6 percent. The bank originated 28.9 percent of its refinance loans to middle-income borrowers, which is above the aggregate at 25.5 percent and the percentage of middle-income families in the assessment area at 21.9 percent.

The bank's distribution of refinance lending to borrowers of different income levels in 2020 was consistent with the distribution of loans in 2021 for middle-income borrowers. However, in 2020, the bank originated 4.8 percent of its refinance loans to low-income borrowers, which is comparable to the aggregate at 4.7 percent but below the percentage of low-income families in the assessment area at 18.1 percent. The bank originated 16.3 percent of its refinance loans to moderate-income borrowers, which is comparable to the aggregate at 14.6 percent and below the percentage of moderate-income families in the assessment area at 20.6 percent.

The following table summarizes the bank's 2020 and 2021 HMDA-reportable lending in the assessment area.

Distribution of 2020 and 2021 Home Mortgage Lending By Borrower Income Level													
Assessment Area: MI Non MSA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2020						2021						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	\$%	\$%	#	#%	#%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	6	12.5	8.7	370	6.3	4.9	6	17.1	9.6	487	11.4	5.8	18.1
Moderate	8	16.7	24.5	739	12.6	18.5	6	17.1	23.6	466	10.9	18.3	20.6
Middle	12	25.0	25.5	1,115	19.0	23.7	10	28.6	23.7	1,240	29.1	22.3	21.9
Upper	18	37.5	32.3	3,091	52.6	44.6	7	20.0	32.0	1,257	29.5	42.9	39.5
Unknown	4	8.3	8.9	564	9.6	8.3	6	17.1	11.1	813	19.1	10.7	0.0
Total	48	100.0	100.0	5,879	100.0	100.0	35	100.0	100.0	4,263	100.0	100.0	100.0
Refinance Loans													
Low	5	4.8	4.7	266	1.9	2.5	4	8.9	7.1	287	5.9	4.3	18.1
Moderate	17	16.3	14.6	1,676	12.2	10.7	15	33.3	19.8	1,330	27.2	15.0	20.6
Middle	28	26.9	25.0	2,877	20.9	20.9	13	28.9	25.5	1,362	27.8	23.7	21.9
Upper	45	43.3	42.1	8,042	58.4	51.6	12	26.7	36.3	1,828	37.3	44.7	39.5
Unknown	9	8.7	13.6	907	6.6	14.2	1	2.2	11.3	89	1.8	12.4	0.0
Total	104	100.0	100.0	13,768	100.0	100.0	45	100.0	100.0	4,896	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	4.3	0	0.0	3.3	0	0.0	7.4	0	0.0	4.3	18.1
Moderate	0	0.0	15.6	0	0.0	10.7	0	0.0	26.6	0	0.0	21.9	20.6
Middle	0	0.0	36.2	0	0.0	30.5	1	25.0	27.7	11	8.4	30.7	21.9
Upper	3	100.0	42.6	627	100.0	52.5	3	75.0	34.0	120	91.6	40.3	39.5
Unknown	0	0.0	1.4	0	0.0	3.0	0	0.0	4.3	0	0.0	2.8	0.0
Total	3	100.0	100.0	627	100.0	100.0	4	100.0	100.0	131	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	11	7.1	6.4	636	3.1	3.6	10	11.9	8.3	774	8.3	5.0	18.1
Moderate	25	16.1	18.5	2,415	11.9	14.0	21	25.0	21.4	1,796	19.3	16.5	20.6
Middle	40	25.8	25.2	3,992	19.7	21.9	24	28.6	25.0	2,613	28.1	23.2	21.9
Upper	66	42.6	37.7	11,760	58.0	48.3	22	26.2	34.2	3,205	34.5	43.7	39.5
Unknown	13	8.4	12.2	1,471	7.3	12.1	7	8.3	11.2	902	9.7	11.6	0.0
Total	155	100.0	100.0	20,274	100.0	100.0	84	100.0	100.0	9,290	100.0	100.0	100.0
Source: 2021 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. A sample of small business loans originated in 2021 were reviewed, of which, 4.4 percent by number were made to businesses with gross revenues equal to or less than \$1 million. The bank’s performance was below the assessment area demographics as 89.5 percent of all businesses in the area have annual revenues of less than \$1 million, however 91.2 percent of the bank’s small business loans were made to businesses with an unknown revenue. Of the 12 loans originated to small businesses with revenues of \$1 million or less, 41.7 percent were in amounts of \$100,000 or less which is considered most beneficial to small businesses. Additionally, a large percentage (90.9 percent) in amounts of \$100,000 or less are loans under the Paycheck Protection Program, are considered to be most beneficial to small businesses, indicating the bank’s willingness to meet the credit needs of small businesses during the COVID-19 pandemic. The PPP did not require the collection of revenue from businesses.

The following table presents the borrower distribution of small business loans in 2021.

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: MI Non MSA					
	Bank Loans				Total Businesses
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	12	4.4	1,397	12.8	89.5
Over \$1 Million	12	4.4	3,508	32.2	7.9
Revenue Unknown	250	91.2	5,976	54.9	2.6
Total	274	100.0	10,881	100.0	100.0
By Loan Size					
\$100,000 or Less	249	90.9	4,886	44.9	
\$100,001 - \$250,000	16	5.8	2,417	22.2	
\$250,001 - \$1 Million	9	3.3	3,577	32.9	
Total	274	100.0	10,881	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	5	41.7	406	29.1	
\$100,001 - \$250,000	7	58.3	991	70.9	
\$250,001 - \$1 Million	0	0.0	0	0.0	
Total	12	100.0	1,397	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

COMMUNITY DEVELOPMENT TEST

The bank's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, donations, and community development services, as appropriate, considering the bank's capacity, as well as the need and the availability of such opportunities for community development in the assessment area.

Lending

During the evaluation period, the bank originated four qualified loans totaling approximately \$4.4 million towards community service and revitalization and stabilization within the assessment area. The bank originated a \$2.5 million community development loan to help fund a hotel business in an underserved middle-income census tract. The bank also originated a \$746,206 community development loan to renovate a retirement center operating in an underserved middle-income census tract. Both of these loans are particularly responsive to revitalizing and stabilizing these underserved census tracts.

Investments

The bank made no new community development investments within this assessment area.

Although no investments were made in this assessment area, the bank contributed approximately \$30,360 to six different organizations for a total of eight donations. Recipient organizations focus primarily on community services, but also included economic development and revitalization and stabilization. The previous evaluation contributed \$21,856 to seven different organizations, or a total of 15 donations demonstrating a decrease in number, but an increase in dollar of donations.

Services

During the evaluation period, bank staff had provided community development services to seven different organizations in the assessment area totaling 1,108 hours or a total of 22 services. Of the 1,108 hours, 968 hours were dedicated to organizations with a community service focus and 140 hours were dedicated to organizations with an economic development focus. This is a significant increase since the previous evaluation that had a total of 161 hours to five different organizations or a total of 15 services.

The following table presents the community development activities during the evaluation period in the Michigan Non-MSA.

Community Development Activities										
Review Period: August 6, 2019 - February 6, 2023										
Type of Activity	Affordable Housing		Economic Development		Revitalize and Stabilize		Community Service		Totals	
	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/ Hours	#	\$(000s)/Hours	#	\$(000s)/Hours
Lending	0	\$0	0	\$0	2	\$3,202	2	\$1,216	4	4,418
Investments	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Donations	0	\$0	1	\$2	2	\$20	5	\$8	8	\$30
Services	0	0	8	140	0	0	14	968	22	1108

WARREN-TROY-FARMINGTON HILLS, MI MD #47664 – FULL REVIEW

SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Warren, MI MD assessment area. The scope is consistent with the scope of the examination described within the institution summary. For further information, refer to the "Scope of Examination" section for details.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WARREN-TROY-FARMINGTON HILLS MD #47664²

Northstar Bank's Warren, MI MD assessment area consists of Macomb and St. Clair Counties in their entireties, which is part of the Detroit-Warren-Dearborn, Michigan MSA 19820. The assessment area has remained unchanged since the previous evaluation of August 5, 2019. Based on the 2021 FFIEC Census data, the census tract composition includes 25 low-income, 89 moderate-income, 130 middle-income, 17 upper-income, and six unknown-income census tracts totaling 267 census tracts.

Within the assessment area, the bank operates four full-service branch offices. One branch is in Macomb County and the other three branches are in St. Clair County. All locations have a full-service ATM.

According to the June 30, 2021 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Northstar Bank ranked tenth among 16 FDIC insured financial institutions operating in Macomb and St. Clair Counties. The bank held \$320.3 million in deposits inside of the market, representing 1.4 percent of the total deposit market share in the two counties. The financial institutions with the largest percentage of deposit market share are J.P Morgan Chase Bank (19.1 percent), The Huntington National Bank (19.0 percent), and Comerica Bank (16.5 percent).

In 2021, Northstar Bank ranked 80th among 494 HMDA-reporters, originating 74 HMDA-reportable loans in the assessment area. By comparison, Rocket Mortgage LLC (originated 9,043 HMDA loans) and United Shore Financial Service (originated 6,918 HMDA loans) ranked first and second respectively.

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

² 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.

2021 Warren-Troy-Farmington Hills, MI MD 47664 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	25	9.4	17,548	6.6	5,410	30.8	67,092	25.2
Moderate	89	33.3	81,577	30.6	11,929	14.6	53,957	20.3
Middle	130	48.7	131,926	49.5	8,389	6.4	58,261	21.9
Upper	17	6.4	35,208	13.2	1,108	3.1	86,949	32.7
Unknown	6	2.2	0	0.0	0	0.0	0	0.0
Total AA	267	100.0	266,259	100.0	26,836	10.1	266,259	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	35,112	15,595	5.3	44.4	14,789	42.1	4,728	13.5
Moderate	143,767	86,751	29.4	60.3	45,082	31.4	11,934	8.3
Middle	208,745	153,294	51.9	73.4	42,279	20.3	13,172	6.3
Upper	44,104	39,661	13.4	89.9	3,067	7.0	1,376	3.1
Unknown	63	0	0.0	0.0	4	6.3	59	93.7
Total AA	431,791	295,301	100.0	68.4	105,221	24.4	31,269	7.2
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	3,497	8.2	2,982	7.7	493	14.0	22	8.1
Moderate	13,414	31.6	12,031	31.1	1,294	36.7	89	32.7
Middle	19,955	47.0	18,539	47.9	1,294	36.7	122	44.9
Upper	5,115	12.0	4,800	12.4	278	7.9	37	13.6
Unknown	505	1.2	333	0.9	170	4.8	2	0.7
Total AA	42,486	100.0	38,685	100.0	3,529	100.0	272	100.0
Percentage of Total Businesses:				91.1		8.3		0.6
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	8	1.9	8	1.9	0	0.0	0	0.0
Moderate	79	18.3	78	18.6	1	7.7	0	0.0
Middle	304	70.4	297	70.9	7	53.8	0	0.0
Upper	41	9.5	36	8.6	5	38.5	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	432	100.0	419	100.0	13	100.0	0	0.0
Percentage of Total Farms:				97.0		3.0		0.0
Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Population Characteristics

According to the 2015 American Community Survey (ACS) demographic data, the assessment area's population experienced an increase in Macomb County of 1.6 percent and a decrease in St. Clair County of 1.6 percent. The state of Michigan remained stable at 0.2 percent. According to community representatives, lack of affordable housing, low rental supply, and high cost of living contributed to the issue of retaining residents.

Population Change 2021 Warren-Troy-Farmington Hills, MI MD 47664			
Area	2010 Population	2015 Population	Percent Change
2021 Warren-Troy-Farmington Hills, MI MD 47664	1,004,018	1,015,118	1.1%
Macomb County, MI	840,978	854,689	1.6%
St. Clair County, MI	163,040	160,429	-1.6%
Michigan	9,883,640	9,900,571	0.2%
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011 - 2015 U.S. Census Bureau American Community Survey</i>			

Income Characteristics

According to the 2011-2015 ACS data, the median family income (MFI) in the bank's assessment area experienced a decrease of 7.4 percent since 2010. Overall, all comparable geographies experienced decreases in MFI with Macomb County experiencing the greatest decrease at 7.7. Along with the decrease in MFI, community representatives indicated that surrounding communities have also not kept pace with the rising cost of living. The following table presents the MFI for families living in the assessment area.

Median Family Income 2021 Warren-Troy-Farmington Hills, MI MD 47664			
Area	2010 Median Family Income	2015 Median Family Income	Percent Change
2021 Warren-Troy-Farmington Hills, MI MD 47664	\$71,399	\$66,102	-7.4%
Macomb County, MI	\$73,420	\$67,785	-7.7%
St. Clair County, MI	\$65,303	\$61,848	-5.3%
Michigan	\$65,708	\$62,247	-5.3%
<i>Source: 2006 - 2010 U.S. Census Bureau American Community Survey 2011 - 2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

Housing Characteristics

According to the 2021 FFIEC Census Data, a total of 431,791 housing units exist in the assessment area. The majority of housing units are owner-occupied at 68.5 percent, while 24.4 percent are rental units, and 7.4 percent are vacant.

The following table presents recent housing cost burden for groups of income classes within the assessment area, counties with the assessment area, and the state of Michigan. The cost burden is the ratio of a household's gross monthly housing costs to the household's gross monthly income. Housing cost burden, as defined by the Department of Housing and Urban Development (HUD), takes these quantitative ratios, and assigns qualitative values to them. If a household's housing cost is above 30.0 percent of its income, then that household is considered housing cost burdened. If housing cost is above 50.0 percent, then the household is severely housing cost burdened.

Across the assessment area, 44.1 percent of all renters are considered cost burdened. Of the cost burdened renters, 79.7 percent are low-income, and 46.7 percent moderate-income. For homeowners, only 19.1 percent are experiencing housing cost burden within the assessment area, but similar to renters, the majority are low- and moderate-income owners at 67.9 percent and 33.3 percent, respectively.

Community representatives indicated there is a need for quality housing and affordable housing. Community representatives noted that many of the communities have a high number of renters such as Port Huron, Mount Clemmons, and Clinton Township. Rent has increased everywhere, and rental units are always at 100.0 percent capacity. Large national firms tend to invest in real estate to convert into rental units, however, these efforts tend to lead to poor up-keep and lower property values.

Housing Cost Burden						
2021 Warren-Troy-Farmington Hills, MI MD 47664						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
2021 Warren-Troy-Farmington Hills, MI MD 47664	79.7%	46.7%	44.1%	67.9%	33.3%	19.1%
Macomb County, MI	81.4%	49.8%	44.2%	68.7%	34.3%	19.2%
St. Clair County, MI	71.9%	28.3%	43.8%	64.4%	29.0%	18.8%
Michigan	75.7%	42.6%	43.9%	66.0%	32.5%	19.0%

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

Employment Characteristics

Overall, the unemployment rates in the assessment area, counties within the assessment area, and the state of Michigan declined between 2017 and 2019 and then increased between 2019 and 2020, and then decreased in 2021. From 2019 to 2020, the assessment area, counties within the assessment area, and the state of Michigan experienced significant increases due to COVID-19 pandemic.

Community representatives indicated that unemployment rates were high in 2020 due to the COVID-19 pandemic, but most areas are nearing pre-pandemic unemployment levels. Unemployment levels have not entirely returned to pre-pandemic levels in Macomb County, as many retail shops and restaurants are still affected by the pandemic. St. Clair County’s industry is primarily focused on manufacturing, which was negatively affected by the national supply chain issues but is recovering. Trades work has a shortage of qualified workers due to a lack of interest from younger generations and the older generations retiring without replacements. The following table reflects the unemployment rate from the U.S. Bureau of Labor Statistics between 2017 and 2021.

Unemployment Rates					
2021 Warren-Troy-Farmington Hills, MI MD 47664					
Area	2017	2018	2019	2020	2021
2021 Warren-Troy-Farmington Hills, MI MD 47664	4.5%	4.2%	4.3%	11.7%	5.9%
Macomb County, MI	4.4%	4.1%	4.2%	11.8%	5.9%
St. Clair County, MI	5.1%	4.8%	4.8%	11.7%	5.9%
Michigan	4.6%	4.2%	4.1%	10.0%	5.9%
<i>Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics</i>					

Industry Characteristics

According to the U.S. Bureau of Labor Statistics and community representatives, the assessment area contains a diverse employment base and is most heavily impacted by the manufacturing, retail, and health care services.

Community Representatives

Two community representatives were contacted during the evaluation to provide information regarding local economic and demographic conditions. The representatives provided information on housing, employment, and economic development within the assessment area, as well as provided information regarding the effects on communities due to the COVID-19 pandemic. The representatives stated affordable housing, retaining residents to fill employment opportunities, low-interest rate loans for startup businesses, and revitalizing surrounding communities are the biggest needs of the communities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN WARREN-TROY-FARMINGTON HILLS MD

LENDING TEST

Geographic Distribution of Loans

Northstar Bank demonstrates reasonable geographic distribution of loans given the bank's assessment area.

A sample of the bank's HMDA-reportable loans originated from January 1, 2020 – December 31, 2021 and small business loans originated from January 1, 2021 – December 31, 2021, were reviewed to determine dispersion of loans among assessment area geographies.

An analysis of the dispersion of loans throughout the assessment area was conducted to identify conspicuous gaps in lending. According to the analysis, in 2020 and 2021 the Warren, MI MD assessment area contained 267 census tracts, of which 25 are low-income and 89 are moderate-income. In 2020, the bank originated loans in 18.7 percent of 267 census tracts. Specifically, the bank originated loans within four of the 25 low-income census tracts and 20 of the 89 moderate-income census tracts. In 2021, the bank originated loans in 22.8 percent of 267 census tracts. Specifically, the bank originated loans within five of the 25 low-income census tracts and 19 of the 89 moderate-income census tracts. Despite the low figures, the bank's size, locations (relative to LMI census tracts), and lender competition contributed to the low level of LMI census tract penetration. Overall, examiners determined there was no conspicuous lending gaps in the bank's assessment area.

Specific to HMDA-reportable lending, due to limited lending activity of home improvement and multi-family loans, only home purchase and refinance loans will be discussed.

HMDA-Reportable Loans

The geographic distribution of HMDA-reportable loans reflects excellent dispersion throughout the assessment area. In 2021, the bank originated 4.2 percent of the total HMDA-reportable loans in low-income census tracts, which is comparable to the aggregate and percentage of owner-occupied units within the geographies at 3.9 percent, and 5.3 percent, respectively. The bank originated 40.3 percent of its total HMDA-reportable loans in moderate-income census tracts, which is well above the aggregate and percentage of owner-occupied units within the geographies at 26.8 percent and 29.4 percent, respectively.

Home Purchase Loans

In 2021, home purchase loans represented 36.1 percent of the bank's total HMDA-reportable loans in the Warren, MI MD assessment area. The bank originated 7.7 percent of its home purchase loans in low-income census tracts. The bank's performance exceeds the aggregate at 6.2 percent and the owner-occupied units at 5.3 percent. The bank originated 38.5 percent of its home purchase loans in moderate-income census tracts. The bank's performance is above the aggregate at 32.7 percent and the owner-occupied units at 29.4 percent.

Refinance Loans

In 2021, refinance loans represented 52.8 percent of the bank's total HMDA-reportable loans in the Warren, MI MD assessment area. The bank originated 2.6 percent of its refinance loans in low-income census tracts. The bank's performance is comparable to the aggregate at 2.7 percent and below the owner-occupied units at 5.3 percent. The bank originated 42.1 percent of its refinance loans in moderate-income census tracts. The bank's performance is well above the aggregate at 24.0 percent and the owner-occupied units at 29.4 percent.

The bank's distribution of HMDA-reportable lending across different geographies in 2020 was consistent with the distribution of loans in 2021. The following table summarizes the bank's 2020 and 2021 HMDA-reportable lending in the assessment area.

Distribution of 2020 and 2021 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2020						2021						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	4	10.8	5.3	572	9.0	2.6	2	7.7	6.2	285	5.6	3.2	5.3
Moderate	15	40.5	30.5	2,255	35.4	23.2	10	38.5	32.7	1,123	22.2	24.9	29.4
Middle	18	48.6	50.4	3,545	55.6	52.6	14	53.8	48.1	3,655	72.2	51.1	51.9
Upper	0	0.0	13.9	0	0.0	21.6	0	0.0	12.9	0	0.0	20.8	13.4
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	37	100.0	100.0	6,372	100.0	100.0	26	100.0	100.0	5,063	100.0	100.0	100.0
Refinance Loans													
Low	1	1.0	1.4	160	0.9	0.7	1	2.6	2.7	236	4.4	1.4	5.3
Moderate	49	51.0	19.3	7,183	41.0	14.5	16	42.1	24.0	1,398	25.8	18.4	29.4
Middle	42	43.8	55.6	8,740	49.9	53.9	20	52.6	54.3	3,610	66.7	53.9	51.9
Upper	4	4.2	23.6	1,443	8.2	30.8	1	2.6	19.1	166	3.1	26.3	13.4
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	96	100.0	100.0	17,526	100.0	100.0	38	100.0	100.0	5,410	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	2.8	0	0.0	1.6	0	0.0	3.2	0	0.0	1.8	5.3
Moderate	0	0.0	20.3	0	0.0	15.5	1	20.0	21.3	40	5.0	16.2	29.4
Middle	1	100.0	54.3	222	100.0	56.0	4	80.0	53.5	759	95.0	53.5	51.9
Upper	0	0.0	22.6	0	0.0	26.9	0	0.0	21.9	0	0.0	28.6	13.4
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	1	100.0	100.0	222	100.0	100.0	5	100.0	100.0	799	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	16.1	0	0.0	17.1	0	0.0	11.8	0	0.0	7.1	8.8
Moderate	0	0.0	50.0	0	0.0	34.2	2	66.7	48.7	2,900	83.7	48.0	43.0
Middle	0	0.0	30.4	0	0.0	45.2	1	33.3	38.2	565	16.3	44.7	45.5
Upper	0	0.0	3.6	0	0.0	3.5	0	0.0	1.3	0	0.0	0.2	2.8
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	3	100.0	100.0	3,465	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	5	3.7	2.8	732	3.0	1.8	3	4.2	3.9	521	3.5	2.3	5.3
Moderate	64	47.8	23.2	9,438	39.1	18.0	29	40.3	26.8	5,461	37.1	21.6	29.4
Middle	61	45.5	53.8	12,507	51.9	53.3	39	54.2	52.1	8,589	58.3	52.6	51.9
Upper	4	3.0	20.2	1,443	6.0	26.9	1	1.4	17.2	166	1.1	23.6	13.4
Unknown	0	0.0	0.0	0	0.0	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	0.0	0.0	0	0.0	0.0	
Total	134	100.0	100.0	24,120	100.0	100.0	72	100.0	100.0	14,737	100.0	100.0	100.0

Source: 2021 FFIEC Census Data

2011-2015 U.S. Census Bureau: American Community Survey

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

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Within the sample of small business loans reviewed, the bank originated 90 small business loans within the assessment area in 2021. The bank's lending volume within low-income census tracts of 14.4 percent was above the percentage of total businesses in low-income census tracts at 8.2 percent. Similarly, the bank's lending volume in moderate-income census tracts at 38.9 percent was also above the percentage of total businesses in moderate-income census tracts at 31.6 percent. Lastly, of the 90 small business loans, 60 were Paycheck Protection Program. The following table presents the geographic distribution of small business loans in 2021.

Distribution of 2021 Small Business Lending By Income Level of Geography					
Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	13	14.4	3,039	20.0	8.2
Moderate	35	38.9	5,737	37.7	31.6
Middle	39	43.3	5,134	33.7	47.0
Upper	3	3.3	1,317	8.6	12.0
Unknown	0	0.0	0	0.0	1.2
Tract-Unk	0	0.0	0	0.0	
Total	90	100.0	15,227	100.0	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.

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

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

Specific to HMDA-reportable lending, due to limited lending activity of home improvement loans, only home purchase and refinance loans will be discussed.

HMDA-Reportable Loans

The borrower distribution of HMDA-reportable loans reflects reasonable penetration among individuals of different income levels. In 2021, the bank originated 20.3 percent of its HMDA-reportable loans to low-income borrowers, which is comparable to the aggregate at 17.7 percent and below the percentage of low-income families in the assessment area at 25.2 percent. Separately,

the bank originated 23.2 percent of its HMDA-reportable loans to moderate-income borrowers, which is slightly below the aggregate at 26.9 percent but comparable to the percentage of moderate-income families in the assessment area at 20.3 percent.

The bank's distribution of HMDA-reportable lending across borrowers of different income levels in 2020 was consistent with the distribution of loans in 2021.

Home Purchase Loans

In 2021, the bank originated 19.2 percent of its home purchase loans to low-income borrowers, which is below the aggregate at 22.3 percent and the percentage of low-income families in the assessment area at 25.2 percent. The bank originated 7.7 percent of its home purchase loans to moderate-income borrowers, which is well below the aggregate at 29.9 percent and the percentage of moderate-income families in the assessment area at 20.3 percent.

The bank's distribution of home purchase lending to borrowers of different income levels in 2020 was consistent with the distribution of loans in 2021 for low-income borrowers. However, in 2020, the bank originated 32.4 percent of its home purchase loans to moderate-income borrowers, which is above the aggregate at 30.7 percent and well above the percentage of moderate-income families in the assessment area at 20.3 percent.

Refinance Loans

In 2021, the bank originated 21.1 percent of its refinance loans to low-income borrowers, which is above the aggregate at 15.7 percent and below the percentage of low-income families in the assessment area at 25.2 percent. The bank originated 31.6 percent of its refinance loans to moderate-income borrowers, which is above the aggregate at 26.0 percent and well above the percentage of moderate-income families in the assessment area at 20.3 percent.

The bank's distribution of refinance lending across borrowers of different income levels in 2020 was consistent with the distribution of loans in 2021 for low-income borrowers. However, in 2020, the bank originated 19.8 percent of its refinance loans to moderate-income borrowers, which is below the aggregate at 23.3 percent and comparable to the percentage of moderate-income families in the assessment area at 20.3 percent.

The following table summarizes the bank's 2020 and 2021 HMDA-reportable lending in the assessment area.

Distribution of 2020 and 2021 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	8	21.6	23.1	856	13.4	15.2	5	19.2	22.3	493	9.7	14.7	25.2
Moderate	12	32.4	30.7	1,584	24.9	27.6	2	7.7	29.9	196	3.9	27.1	20.3
Middle	7	18.9	20.9	1,646	25.8	23.9	6	23.1	20.7	1,518	30.0	23.8	21.9
Upper	10	27.0	15.9	2,286	35.9	23.4	12	46.2	15.1	2,757	54.5	22.4	32.7
Unknown	0	0.0	9.5	0	0.0	9.9	1	3.8	12.0	99	2.0	12.0	0.0
Total	37	100.0	100.0	6,372	100.0	100.0	26	100.0	100.0	5,063	100.0	100.0	100.0
Refinance Loans													
Low	14	14.6	11.5	1,562	8.9	7.1	8	21.1	15.7	650	12.0	10.1	25.2
Moderate	19	19.8	23.3	2,720	15.5	18.9	12	31.6	26.0	1,528	28.2	22.2	20.3
Middle	30	31.3	25.7	5,466	31.2	26.1	10	26.3	24.7	1,534	28.4	25.7	21.9
Upper	25	26.0	24.8	6,704	38.3	32.1	8	21.1	20.6	1,698	31.4	27.9	32.7
Unknown	8	8.3	14.8	1,074	6.1	15.9	0	0.0	13.1	0	0.0	14.2	0.0
Total	96	100.0	100.0	17,526	100.0	100.0	38	100.0	100.0	5,410	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	13.4	0	0.0	9.9	1	20.0	14.3	224	28.0	10.8	25.2
Moderate	0	0.0	23.0	0	0.0	21.1	2	40.0	23.2	155	19.4	20.0	20.3
Middle	0	0.0	27.2	0	0.0	26.9	2	40.0	28.7	420	52.6	28.3	21.9
Upper	1	100.0	34.8	222	100.0	40.3	0	0.0	32.4	0	0.0	39.9	32.7
Unknown	0	0.0	1.6	0	0.0	1.8	0	0.0	1.4	0	0.0	1.1	0.0
Total	1	100.0	100.0	222	100.0	100.0	5	100.0	100.0	799	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	22	16.4	15.0	2,418	10.0	9.8	14	20.3	17.7	1,367	12.1	11.8	25.2
Moderate	31	23.1	25.1	4,304	17.8	21.5	16	23.2	26.9	1,879	16.7	23.8	20.3
Middle	37	27.6	23.8	7,112	29.5	25.0	18	26.1	23.4	3,472	30.8	24.9	21.9
Upper	36	26.9	22.1	9,212	38.2	29.2	20	29.0	19.5	4,455	39.5	26.1	32.7
Unknown	8	6.0	14.0	1,074	4.5	14.5	1	1.4	12.5	99	0.9	13.3	0.0
Total	134	100.0	100.0	24,120	100.0	100.0	69	100.0	100.0	11,272	100.0	100.0	100.0
Source: 2021 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different revenue sizes. A sample of small business loans originated in 2021 were reviewed, of which, 12.2 percent by number were made to businesses with gross revenues equal to or less than \$1 million. The bank's performance was below the assessment area demographics as 91.1 percent of all businesses in the area have annual revenues of less than \$1 million. Similarly, of the 11 loans originated to small businesses with revenues of \$1 million or less, 27.3 percent were in amounts of

\$100,000 or less. Despite the low lending volumes, a large percentage of loans (56.7 percent) in amounts of \$100,000 or less are loans under the Paycheck Protection Program. Additionally, 66.7 percent of the bank’s small business loans were made to businesses with an unknown revenue. The PPP did not require the collection of revenue from businesses. These efforts indicate the bank’s willingness to meet the credit needs of small businesses during the COVID-19 pandemic given these loans are considered to be most beneficial to small businesses,

The following table presents the borrower distribution of small business loans in 2021.

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664					
	Bank Loans				Total Businesses
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	11	12.2	3,585	23.5	91.1
Over \$1 Million	19	21.1	6,958	45.7	8.3
Revenue Unknown	60	66.7	4,684	30.8	0.6
Total	90	100.0	15,227	100.0	100.0
By Loan Size					
\$100,000 or Less	51	56.7	2,223	14.6	
\$100,001 - \$250,000	21	23.3	3,517	23.1	
\$250,001 - \$1 Million	18	20.0	9,486	62.3	
Total	90	100.0	15,227	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	3	27.3	230	6.4	
\$100,001 - \$250,000	4	36.4	742	20.7	
\$250,001 - \$1 Million	4	36.4	2,613	72.9	
Total	11	100.0	3,585	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

COMMUNITY DEVELOPMENT TEST

The bank’s community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments and donations, and community development services, as appropriate, considering the bank’s capacity as well as the need and the availability of such opportunities for community development in the assessment area.

Lending

During the evaluation period, the bank originated 30 qualified loans totaling approximately \$34.8 million towards affordable housing, economic development, community service, and revitalization and stabilization within the assessment area. Seven of these loans, totaling \$6.1 million, were for rental units within the assessment area. Community representatives stated affordable housing was a priority within the assessment area, as such the bank's ability to find opportunities to lend for affordable housing is particularly responsive. Additionally, the bank originated three community development loans, totaling \$8.2 million, as part of the SBA's PPP. PPP loans are in direct response to the COVID-19 pandemic and are specifically designed to revitalize and stabilize the community, benefitting small businesses and retaining jobs during the pandemic, making these loans particularly responsive.

Investments

The bank made a new investment in the assessment area during the evaluation period totaling \$1.3 million. This investment consisted of mortgage-backed loan pools benefiting low- and moderate-income individuals. This is comparable to the last evaluation, which had one new investment and one prior period investment, totaling approximately \$1.4 million and \$1.5 million, respectively.

The bank contributed approximately \$52,950 to 15 different organizations or a total of 26 donations in the assessment area. Recipient organizations focus primarily on community services, but also included an organization focused on revitalization and stabilization. This represents an increase in total number and dollar amount since the previous evaluation where the bank contributed \$13,660 to 11 different organizations or a total of 16 total donations.

Services

During the evaluation period, bank staff had provided community development services to several different organizations in the assessment area totaling 737 hours or a total of 19 services. Of the 737 hours, 707 hours were dedicated to organizations with a community service focus and 30 hours were dedicated to organizations with an economic development focus. This is a significant increase since the previous evaluation that had a total of 58 hours to five different organizations or a total of eight services.

The following table presents the community development activities during the evaluation period in the Warren, MI MD.

Community Development Activities										
Review Period: August 6, 2019 - February 6, 2023										
Type of Activity	Affordable Housing		Economic Development		Revitalize and Stabilize		Community Service		Totals	
	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/Hours	#	\$(000s)/Hours
Lending	7	\$6,129	4	\$1,900	14	\$22,424	5	\$4,300	30	\$34,754
Investments	1	\$1,312	0	\$0	0	\$0	0	\$0	1	\$1,312
Donations	0	\$0	0	\$0	1	\$3	25	\$50	26	\$53
Services	0	0	4	30	0	0	15	707	19	737

ANN ARBOR, MI MSA #11460 – LIMITED REVIEW

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ANN ARBOR, MI MSA

Northstar Bank's Ann Arbor, MI MSA assessment area consists of Washtenaw County in its entirety. The assessment area has remained unchanged since the previous evaluation dated August 5, 2019. Based on the 2021 FFIEC Census data, the census tract composition includes 16 low-income, 16 moderate-income, 37 middle-income, 25 upper-income, and six unknown-income census tracts. The bank operates one full-service branch office in the county.

According to the June 30, 2021 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, Northstar Bank ranked thirteenth among 18 FDIC insured financial institutions operating in Washtenaw County. The bank held \$111.6 million in deposits inside the market, representing 0.9 percent of the total deposit market share. The financial institutions with the largest percentage of deposit market share are J.P Morgan Chase Bank (19.5 percent), Bank of Ann Arbor (13.8 percent), and Key Bank National Association (12.2 percent).

In 2021, Northstar Bank ranked 83rd among 421 HMDA-reporters, originating 18 HMDA-reportable loans in the assessment area. By comparison, the first ranked financial institution, Rocket Mortgage LLC, originated 2,175 HMDA loans, and the second ranked financial institution, United Shore Financial Service, originated 1,187 HMDA loans.

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

2021 Ann Arbor, MI MSA 11460 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	16	16.0	8,921	11.2	2,461	27.6	18,032	22.7
Moderate	16	16.0	10,689	13.5	1,261	11.8	13,501	17.0
Middle	37	37.0	33,861	42.7	2,054	6.1	15,572	19.6
Upper	25	25.0	25,698	32.4	484	1.9	32,268	40.7
Unknown	6	6.0	204	0.3	67	32.8	0	0.0
Total AA	100	100.0	79,373	100.0	6,327	8.0	79,373	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	23,605	5,440	6.6	23.0	15,959	67.6	2,206	9.3
Moderate	21,049	9,873	12.0	46.9	9,787	46.5	1,389	6.6
Middle	60,457	36,901	44.7	61.0	19,025	31.5	4,531	7.5
Upper	40,983	30,117	36.5	73.5	8,317	20.3	2,549	6.2
Unknown	3,004	194	0.2	6.5	2,454	81.7	356	11.9
Total AA	149,098	82,525	100.0	55.3	55,542	37.3	11,031	7.4
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	1,545	8.9	1,415	8.9	124	8.9	6	5.3
Moderate	1,629	9.4	1,532	9.7	89	6.4	8	7.0
Middle	7,656	44.2	6,956	44.0	649	46.5	51	44.7
Upper	5,522	31.9	5,069	32.0	410	29.4	43	37.7
Unknown	983	5.7	854	5.4	123	8.8	6	5.3
Total AA	17,335	100.0	15,826	100.0	1,395	100.0	114	100.0
Percentage of Total Businesses:				91.3		8.0		0.7
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	1	0.3	1	0.3	0	0.0	0	0.0
Moderate	16	4.6	15	4.4	1	33.3	0	0.0
Middle	223	64.6	221	64.8	2	66.7	0	0.0
Upper	105	30.4	104	30.5	0	0.0	1	100.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	345	100.0	341	100.0	3	100.0	1	100.0
Percentage of Total Farms:				98.8		0.9		0.3
<p>Source: 2021 FFIEC Census Data 2021 Dun & 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>								

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ANN ARBOR MSA

Assessment Area	Lending Test	Community Development Test
Ann Arbor, MI MSA	Consistent	Consistent

LENDING TEST

Northstar Bank's lending and community development performance in the area is consistent with the institution's lending and community development performance overall.

Geographic Distribution of Loans

Distribution of 2020 and 2021 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Ann Arbor, MI MSA 11460													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
Home Purchase Loans													
Low	0	0.0	8.2	0	0.0	4.6	1	33.3	8.4	1,365	62.4	5.0	6.6
Moderate	0	0.0	13.9	0	0.0	10.3	0	0.0	14.1	0	0.0	10.3	12.0
Middle	2	66.7	45.5	577	59.1	43.3	1	33.3	45.7	392	17.9	43.3	44.7
Upper	1	33.3	32.0	400	40.9	41.3	1	33.3	31.2	431	19.7	40.7	36.5
Unknown	0	0.0	0.4	0	0.0	0.5	0	0.0	0.6	0	0.0	0.7	0.2
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	3	100.0	100.0	977	100.0	100.0	3	100.0	100.0	2,188	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	3.4	0	0.0	2.2	1	50.0	4.8	360	69.1	2.9	6.6
Moderate	0	0.0	9.3	0	0.0	6.8	0	0.0	10.8	0	0.0	7.6	12.0
Middle	0	0.0	44.3	0	0.0	40.5	0	0.0	46.2	0	0.0	42.0	44.7
Upper	0	0.0	42.7	0	0.0	50.4	1	50.0	38.0	161	30.9	47.2	36.5
Unknown	0	0.0	0.2	0	0.0	0.2	0	0.0	0.2	0	0.0	0.3	0.2
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	2	100.0	100.0	521	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	3.7	0	0.0	1.7	1	50.0	4.9	550	71.4	4.1	6.6
Moderate	0	0.0	8.1	0	0.0	6.7	0	0.0	10.1	0	0.0	5.8	12.0
Middle	0	0.0	40.2	0	0.0	33.1	1	50.0	40.4	220	28.6	37.2	44.7
Upper	0	0.0	47.6	0	0.0	57.9	0	0.0	44.7	0	0.0	52.8	36.5
Unknown	0	0.0	0.4	0	0.0	0.6	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	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	2	100.0	100.0	770	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	7	77.8	45.3	5,349	64.3	23.0	9	81.8	52.9	6,835	83.3	42.0	28.1
Moderate	0	0.0	13.2	0	0.0	22.4	0	0.0	9.8	0	0.0	13.5	18.6
Middle	2	22.2	30.2	2,964	35.7	41.3	1	9.1	21.6	850	10.4	23.1	34.6
Upper	0	0.0	7.5	0	0.0	9.9	1	9.1	13.7	525	6.4	16.4	11.8
Unknown	0	0.0	3.8	0	0.0	3.4	0	0.0	2.0	0	0.0	5.2	6.8
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	9	100.0	100.0	8,313	100.0	100.0	11	100.0	100.0	8,210	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	7	58.3	4.9	5,349	57.6	4.4	12	66.7	6.1	9,110	77.9	7.7	6.6
Moderate	0	0.0	10.6	0	0.0	8.9	0	0.0	11.8	0	0.0	9.1	12.0
Middle	4	33.3	44.3	3,541	38.1	41.2	3	16.7	45.7	1,462	12.5	40.3	44.7
Upper	1	8.3	39.9	400	4.3	45.0	3	16.7	36.0	1,117	9.6	41.9	36.5
Unknown	0	0.0	0.3	0	0.0	0.5	0	0.0	0.3	0	0.0	0.9	0.2
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	12	100.0	100.0	9,290	100.0	100.0	18	100.0	100.0	11,689	100.0	100.0	100.0

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

Distribution of 2021 Small Business Lending By Income Level of Geography					
Assessment Area: Ann Arbor, MI MSA 11460					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	\$%	
Low	2	6.1	117	2.2	8.9
Moderate	0	0.0	0	0.0	9.4
Middle	18	54.5	2,556	47.9	44.2
Upper	9	27.3	1,601	30.0	31.9
Unknown	4	12.1	1,066	20.0	5.7
Tract-Unk	0	0.0	0	0.0	
Total	33	100.0	5,340	100.0	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.

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

Distribution of 2020 and 2021 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Ann Arbor, MI MSA 11460													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2020						2021						
	Bank		Agg		Bank		Agg		Bank		Agg		
	#	%	#	\$(000)	%	%	#	%	#	\$(000)	%	%	
Home Purchase Loans													
Low	0	0.0	11.4	0	0.0	5.9	0	0.0	11.3	0	0.0	5.6	22.7
Moderate	1	33.3	24.1	232	23.7	18.0	0	0.0	21.9	0	0.0	16.0	17.0
Middle	0	0.0	22.3	0	0.0	21.1	0	0.0	22.3	0	0.0	21.3	19.6
Upper	0	0.0	35.0	0	0.0	47.7	0	0.0	33.5	0	0.0	46.0	40.7
Unknown	2	66.7	7.1	745	76.3	7.2	3	100.0	11.0	2,188	100.0	11.1	0.0
Total	3	100.0	100.0	977	100.0	100.0	3	100.0	100.0	2,188	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	6.0	0	0.0	3.2	0	0.0	10.4	0	0.0	5.8	22.7
Moderate	0	0.0	19.1	0	0.0	13.6	0	0.0	20.2	0	0.0	14.8	17.0
Middle	0	0.0	24.6	0	0.0	22.5	0	0.0	23.3	0	0.0	21.5	19.6
Upper	0	0.0	41.3	0	0.0	51.6	2	100.0	36.0	521	100.0	47.7	40.7
Unknown	0	0.0	8.9	0	0.0	9.0	0	0.0	10.0	0	0.0	10.2	0.0
Total	0	0.0	100.0	0	0.0	100.0	2	100.0	100.0	521	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	7.8	0	0.0	3.9	0	0.0	9.2	0	0.0	6.0	22.7
Moderate	0	0.0	17.6	0	0.0	13.1	0	0.0	18.0	0	0.0	12.8	17.0
Middle	0	0.0	20.0	0	0.0	16.9	1	50.0	24.6	220	28.6	20.0	19.6
Upper	0	0.0	52.8	0	0.0	64.2	0	0.0	46.4	0	0.0	57.9	40.7
Unknown	0	0.0	1.9	0	0.0	1.9	1	50.0	1.8	550	71.4	3.2	0.0
Total	0	0.0	100.0	0	0.0	100.0	2	100.0	100.0	770	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	0	0.0	7.5	0	0.0	4.0	0	0.0	10.6	0	0.0	5.7	22.7
Moderate	1	33.3	20.2	232	23.7	14.8	0	0.0	20.6	0	0.0	15.2	17.0
Middle	0	0.0	23.5	0	0.0	21.9	1	14.3	23.0	220	6.3	21.3	19.6
Upper	0	0.0	39.6	0	0.0	50.4	2	28.6	35.7	521	15.0	47.4	40.7
Unknown	2	66.7	9.1	745	76.3	8.9	4	57.1	10.1	2,738	78.7	10.4	0.0
Total	3	100.0	100.0	977	100.0	100.0	7	100.0	100.0	3,479	100.0	100.0	100.0
Source: 2021 FFIEC Census Data													
2011-2015 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

Distribution of 2021 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Ann Arbor, MI MSA 11460					
	Bank Loans				Total Businesses
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	3	9.1	750	14.0	91.3
Over \$1 Million	2	6.1	726	13.6	8.0
Revenue Unknown	28	84.8	3,864	72.4	0.7
Total	33	100.0	5,340	100.0	100.0
By Loan Size					
\$100,000 or Less	15	45.5	578	10.8	
\$100,001 - \$250,000	10	30.3	1,634	30.6	
\$250,001 - \$1 Million	8	24.2	3,128	58.6	
Total	33	100.0	5,340	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	0	0.0	0	0.0	
\$100,001 - \$250,000	1	33.3	150	20.0	
\$250,001 - \$1 Million	2	66.7	600	80.0	
Total	3	100.0	750	100.0	
<i>Source: 2021 FFIEC Census Data 2021 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey</i>					
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>					

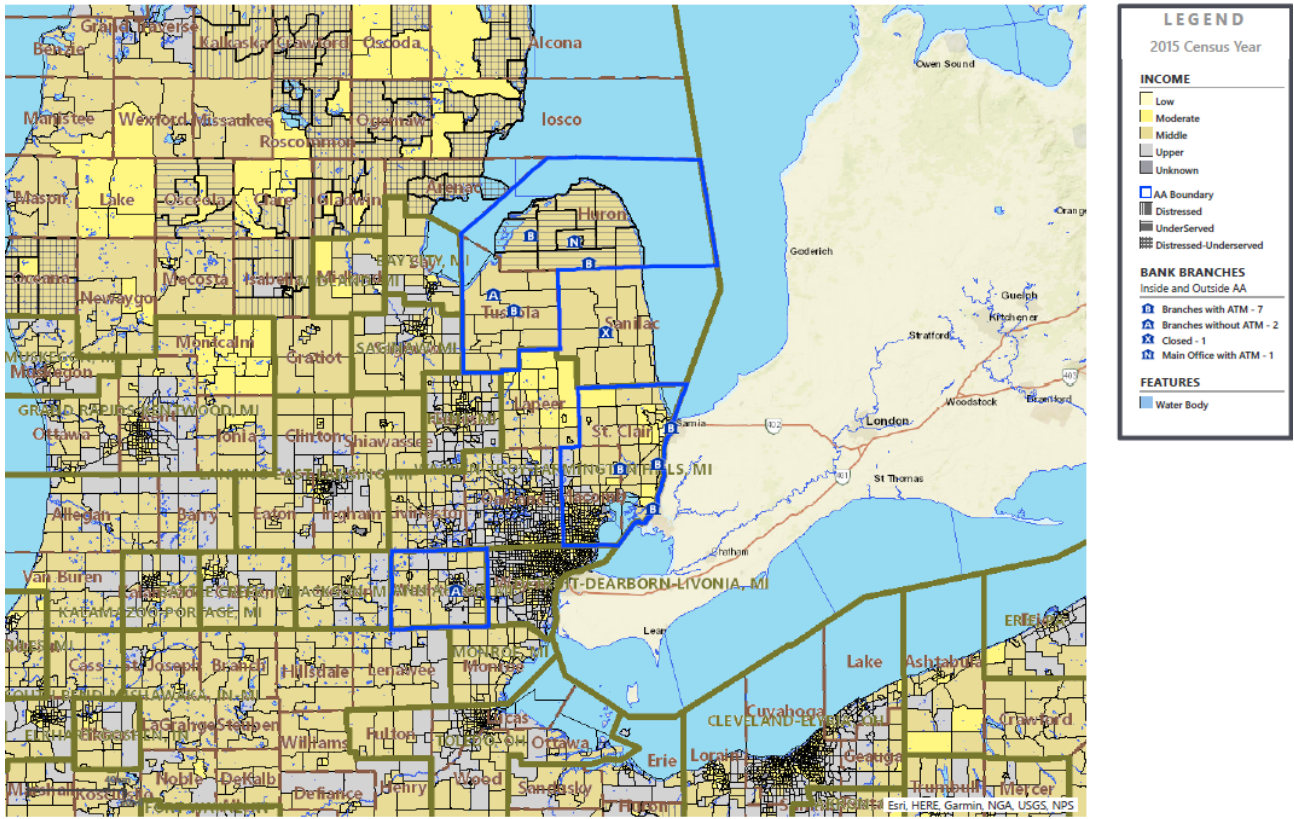
COMMUNITY DEVELOPMENT TEST

Northstar Bank’s community development performance in the area is consistent with the institution’s community development performance overall.

Summary of Community Development Activities										
August 6, 2019 - February 6, 2023										
Type of Activity	Affordable Housing		Economic Development		Revitalize and Stabilize		Community Service		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)/Hours	#	\$(000s)/Hours
Lending	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Investments	1	\$734	0	\$0	0	\$0	0	\$0	1	\$734
Donations	0	\$0	0	\$0	0	\$0	10	\$20	10	\$20
Services	0	0	2	72	0	0	1	32	3	104

APPENDIX A – Map of Assessment Areas

Northstar Bank 2958972
Combined Assessment Area



APPENDIX B – 2020 Lending Tables
2020 Combined AA

2020 Combined AA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	41	10.1	26,469	7.0	7,871	29.7	91,508	24.1
Moderate	106	26.0	93,252	24.5	13,295	14.3	74,550	19.6
Middle	203	49.9	199,483	52.5	13,946	7.0	81,614	21.5
Upper	42	10.3	60,906	16.0	1,592	2.6	132,642	34.9
Unknown	15	3.7	204	0.1	67	32.8	0	0.0
Total AA	407	100.0	380,314	100.0	36,771	9.7	380,314	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	58,717	21,035	5.0	35.8	30,748	52.4	6,934	11.8
Moderate	166,670	97,648	23.3	58.6	55,455	33.3	13,567	8.1
Middle	335,420	230,780	55.0	68.8	70,498	21.0	34,142	10.2
Upper	85,087	69,778	16.6	82.0	11,384	13.4	3,925	4.6
Unknown	3,067	194	0.0	6.3	2,458	80.1	415	13.5
Total AA	648,961	419,435	100.0	64.6	170,543	26.3	58,983	9.1
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	4,938	7.6	4,263	7.2	651	12.1	24	4.9
Moderate	15,154	23.4	13,619	23.1	1,443	26.8	92	18.9
Middle	32,311	49.8	29,739	50.4	2,286	42.5	286	58.6
Upper	10,880	16.8	10,113	17.1	690	12.8	77	15.8
Unknown	1,581	2.4	1,267	2.1	305	5.7	9	1.8
Total AA	64,864	100.0	59,001	100.0	5,375	100.0	488	100.0
Percentage of Total Businesses:				91.0		8.3		0.8
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	9	0.5	9	0.5	0	0.0	0	0.0
Moderate	105	6.2	103	6.2	2	6.3	0	0.0
Middle	1,418	84.3	1,393	84.4	25	78.1	0	0.0
Upper	151	9.0	145	8.8	5	15.6	1	100.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	1,683	100.0	1,650	100.0	32	100.0	1	100.0
Percentage of Total Farms:				98.0		1.9		0.1
<p>Source: 2020 FFIEC Census Data 2020 Dun & 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>								

Michigan Non-MSA – Full Review

2020 MI Non MSA 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	6,384	18.4
Moderate	1	2.5	986	2.8	105	10.6	7,092	20.4
Middle	36	90.0	33,696	97.2	3,503	10.4	7,781	22.4
Upper	0	0.0	0	0.0	0	0.0	13,425	38.7
Unknown	3	7.5	0	0.0	0	0.0	0	0.0
Total AA	40	100.0	34,682	100.0	3,608	10.4	34,682	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,854	1,024	2.5	55.2	586	31.6	244	13.2
Middle	66,218	40,585	97.5	61.3	9,194	13.9	16,439	24.8
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	68,072	41,609	100.0	61.1	9,780	14.4	16,683	24.5
	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	255	5.4	213	5.0	37	10.5	5	4.4
Middle	4,472	94.6	4,049	95.0	315	89.5	108	95.6
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	4,727	100.0	4,262	100.0	352	100.0	113	100.0
Percentage of Total Businesses:				90.2		7.4		2.4
	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	4	0.5	4	0.5	0	0.0	0	0.0
Middle	863	99.5	847	99.5	16	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	867	100.0	851	100.0	16	100.0	0	0.0
Percentage of Total Farms:				98.2		1.8		0.0
<p>Source: 2020 FFIEC Census Data 2020 Dun & 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>								

Warren-Troy-Farmington Hills, Michigan MD 47664 – Full Review

2020 Warren-Troy-Farmington Hills, MI MD 47664 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	25	9.4	17,548	6.6	5,410	30.8	67,092	25.2
Moderate	89	33.3	81,577	30.6	11,929	14.6	53,957	20.3
Middle	130	48.7	131,926	49.5	8,389	6.4	58,261	21.9
Upper	17	6.4	35,208	13.2	1,108	3.1	86,949	32.7
Unknown	6	2.2	0	0.0	0	0.0	0	0.0
Total AA	267	100.0	266,259	100.0	26,836	10.1	266,259	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	35,112	15,595	5.3	44.4	14,789	42.1	4,728	13.5
Moderate	143,767	86,751	29.4	60.3	45,082	31.4	11,934	8.3
Middle	208,745	153,294	51.9	73.4	42,279	20.3	13,172	6.3
Upper	44,104	39,661	13.4	89.9	3,067	7.0	1,376	3.1
Unknown	63	0	0.0	0.0	4	6.3	59	93.7
Total AA	431,791	295,301	100.0	68.4	105,221	24.4	31,269	7.2
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	3,413	8.0	2,882	7.4	512	14.2	19	7.2
Moderate	13,278	31.2	11,886	30.7	1,312	36.5	80	30.3
Middle	20,127	47.3	18,684	48.3	1,319	36.7	124	47.0
Upper	5,228	12.3	4,909	12.7	281	7.8	38	14.4
Unknown	503	1.2	329	0.9	171	4.8	3	1.1
Total AA	42,549	100.0	38,690	100.0	3,595	100.0	264	100.0
Percentage of Total Businesses:				90.9	8.4		0.6	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	8	1.7	8	1.8	0	0.0	0	0.0
Moderate	84	18.3	83	18.7	1	7.7	0	0.0
Middle	323	70.5	316	71.0	7	53.8	0	0.0
Upper	43	9.4	38	8.5	5	38.5	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	458	100.0	445	100.0	13	100.0	0	0.0
Percentage of Total Farms:				97.2	2.8		0.0	
Source: 2020 FFIEC Census Data 2020 Dun & Bradstreet Data 2011-2015 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Ann Arbor, Michigan MSA 11460 – Limited Review

2020 Ann Arbor, MI MSA 11460 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	16	16.0	8,921	11.2	2,461	27.6	18,032	22.7
Moderate	16	16.0	10,689	13.5	1,261	11.8	13,501	17.0
Middle	37	37.0	33,861	42.7	2,054	6.1	15,572	19.6
Upper	25	25.0	25,698	32.4	484	1.9	32,268	40.7
Unknown	6	6.0	204	0.3	67	32.8	0	0.0
Total AA	100	100.0	79,373	100.0	6,327	8.0	79,373	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	23,605	5,440	6.6	23.0	15,959	67.6	2,206	9.3
Moderate	21,049	9,873	12.0	46.9	9,787	46.5	1,389	6.6
Middle	60,457	36,901	44.7	61.0	19,025	31.5	4,531	7.5
Upper	40,983	30,117	36.5	73.5	8,317	20.3	2,549	6.2
Unknown	3,004	194	0.2	6.5	2,454	81.7	356	11.9
Total AA	149,098	82,525	100.0	55.3	55,542	37.3	11,031	7.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	1,525	8.7	1,381	8.6	139	9.7	5	4.5
Moderate	1,621	9.2	1,520	9.5	94	6.6	7	6.3
Middle	7,712	43.8	7,006	43.7	652	45.7	54	48.6
Upper	5,652	32.1	5,204	32.4	409	28.6	39	35.1
Unknown	1,078	6.1	938	5.8	134	9.4	6	5.4
Total AA	17,588	100.0	16,049	100.0	1,428	100.0	111	100.0
Percentage of Total Businesses:				91.2		8.1		0.6
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low	1	0.3	1	0.3	0	0.0	0	0.0
Moderate	17	4.7	16	4.5	1	33.3	0	0.0
Middle	232	64.8	230	65.0	2	66.7	0	0.0
Upper	108	30.2	107	30.2	0	0.0	1	100.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	358	100.0	354	100.0	3	100.0	1	100.0
Percentage of Total Farms:				98.9		0.8		0.3
<p>Source: 2020 FFIEC Census Data 2020 Dun & 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			
TIME PERIOD REVIEWED	Lending Test: <ul style="list-style-type: none"> HMDA-reportable loans: January 1, 2020 to December 31, 2021 Small Business loans (sample): January 1, 2021 to December 31, 2021 Community Development Test: <ul style="list-style-type: none"> August 6, 2019 to February 6, 2023 		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED <ul style="list-style-type: none"> HMDA-Reportable Loans Small Business Loans
Northstar Bank			
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
N/A	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-MSA, Michigan	Full scope	N/A	Scope of evaluation focused on the current assessment area, after Sanilac County was removed from the non-MSA Michigan area.
Warren-Troy-Farmington Hills, Michigan MD 47664 (Partial)	Full scope	N/A	N/A
Ann Arbor, Michigan MSA 11460	Limited Scope	N/A	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.³

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

³ Source: FFIEC press release dated October 19, 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Level: Income level means:

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

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

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

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

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

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

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

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

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