

PUBLIC DISCLOSURE

April 18, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Grand River Bank
RSSD# 3812147

4471 Wilson Avenue SW
Grandville, Michigan 49418

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

Grand River Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Grand River Bank (GRB) is meeting the credit needs of its community based on an analysis of its lending and community development activities and local economic conditions of its assessment area. The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. Additionally, a substantial majority of loans were originated in the assessment area. Lending performance demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes, and the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. There were no CRA-related complaints received by the institution or this Reserve Bank since the previous evaluation.

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

SCOPE OF EXAMINATION

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

A full scope review was conducted on the bank's sole assessment area, which consists of a portion of the Grand Rapids-Kentwood, MI Metropolitan Statistical Area (MSA) #24340 that includes Kent and Ottawa Counties in their entirety. The Lending Test evaluation includes a sample of small business loans originated from January 1, 2021 to December 31, 2021 and Home Mortgage Disclosure Act (HMDA)-reportable loans originated from January 1, 2019 to December 31, 2020. Please refer to Appendix D for the 2019 HMDA-reportable loan tables.

Additionally, examiners reviewed qualified community development loans and donations from March 20, 2018, to April 18, 2022.

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

- ***Loan-to-Deposit Ratio*** – An 18-quarter average LTD ratio ending December 31, 2021, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2019 to December 31, 2020 and a sample of small business loans originated from January 1, 2021 to December 31, 2021 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated in the assessment area from January 1, 2019 to December 31, 2020 and a sample of small business loans originated in the assessment area from January 1, 2021 to December 31, 2021 were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank’s HMDA-reportable loans originated in the assessment area from January 1, 2019 to December 31, 2020 and a sample of small business loans originated in the assessment area from January 1, 2021 to December 31, 2021 were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs, and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from March 20, 2018 to April 18, 2022, was reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

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

DESCRIPTION OF INSTITUTION

GRB, a subsidiary of Grand River Commerce Inc., is located in Grandville, Michigan. The bank maintains a main office and one branch, with no automated teller machines (ATMs), within Kent County. Since the previous evaluation, the bank opened a full-service branch in Grand Rapids, Michigan on January 29, 2021 and has not closed any branches since the previous evaluation. The main office is located in a middle-income census tract while the branch is located in an upper-income census tract.

According to the Uniform Bank Performance Report (UBPR), the bank reported total assets of \$489.3 million as of December 31, 2021. This evaluation is the bank's first under the Intermediate Small Institution Examination Procedures as it was previously considered a small bank for purposes of CRA. GRB is primarily a commercial lender with a heavy focus on building deposit relationships with commercial borrowers. As of December 31, 2021, the loan portfolio was comprised 82.1 percent commercial, 16.5 percent residential real estate, 0.5 percent agricultural, 0.3 percent consumer, and 0.6 percent other loans. The bank offers standard loan products that include some complex features. Portfolio mortgage loan offerings include: fixed- and variable-rate purchases and refinances, HELOCS, jumbo, closed-end home equity, and construction-temporary to permanent financing loans. The bank also offers a unique mortgage product call "CommunityInvestment" which gives favorable closing cost and down payment conditions for loans secured by residential properties in low- or moderate-income census tracts within the assessment area. Conventional mortgage loans are sold on the secondary market to various investors. In regard to Federal Housing Administration (FHA), Veteran Affairs (VA), or Rural Development loans, the bank acts a broker for and does not conduct the underwriting and funding of these loans. Detail of the bank's loan portfolio is provided in the following table.

| Composition of Loan Portfolio as of December 31, 2021 (000's) | | |
|---|-----------|----------|
| Type | \$ | % |
| Residential Real Estate | 63,158 | 16.5 |
| Commercial | 314,538 | 82.1 |
| Agriculture | 2,061 | 0.5 |
| Consumer | 1,167 | 0.3 |
| Other | 2,334 | 0.6 |
| Total | 383,258 | 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 March 19, 2018.

DESCRIPTION OF ASSESSMENT AREA

GRB delineates one assessment area, which comprises a portion of the Grand Rapids-Kentwood, MI MSA #24340 that includes full Kent and Ottawa Counties. Excluded from the Grand Rapids-Kentwood, MI MSA #24340 are Ionia and Montcalm Counties. The delineated assessment area has not changed since the previous evaluation and consists of 182 census tracts including 12 low-, 33 moderate-, 90 middle-, and 46 upper-income tracts. The final census tract has unknown-income, and it is the Lake Michigan border of Ottawa County. Although the delineated assessment area has not changed since the previous evaluation, the Office of Management and Budget redefined the Grand Rapids-Kentwood, MI MSA #24340 between 2019-2020. Barry County was replaced with Ionia County, and the MSA picked up an additional majority minority census tract. This change does not impact the bank's CRA risk as the bank does not operate any deposit facilities outside of Kent and Ottawa Counties.

The June 30, 2021 FDIC Deposit Market Share Report ranked GRB 13th of 24 FDIC-insured depository institutions operating in the assessment area. During this time, the bank held approximately \$414.5 million in deposits, representing 1.4 percent of the total deposit market share in the assessment area. Fifth Third Bank ranked first with total deposits of approximately \$6.5 billion at 22.5 percent of the market share, followed by The Huntington National Bank with 19.5 percent. The 24 FDIC-insured financial institutions operating in the assessment area maintained a total of 244 branch offices, two of which belong to GRB. This shows that the bank's assessment area has an abundance of banks for customers to choose from and, with a limited retail network itself, GRB has a high level of competition in bringing in both loans and deposits.

The following table displays information about the assessment area by tract income categories, including details on total families, housing units, businesses, and farms for the year 2021. Data for 2019 and 2020 is substantially similar to 2021.

| Assessment Area: 2021 Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | | | |
|---|--|---|--------------------------|--------------|--|-------------------------|---------------------------|-----------------------------|---|
| Income Categories | Tract Distribution | | Families by Tract Income | | Families < Poverty Level as % of Families by Tract | | Families by Family Income | | |
| | # | % | # | % | # | % | # | % | |
| Low-income | 12 | 6.6 | 7,778 | 3.5 | 3,245 | 41.7 | 42,098 | 18.7 | |
| Moderate-income | 33 | 18.1 | 33,662 | 14.9 | 6,327 | 18.8 | 39,134 | 17.4 | |
| Middle-income | 90 | 49.5 | 115,651 | 51.3 | 8,403 | 7.3 | 49,913 | 22.1 | |
| Upper-income | 46 | 25.3 | 68,308 | 30.3 | 2,379 | 3.5 | 94,254 | 41.8 | |
| Unknown-income | 1 | 0.5 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | |
| Total Assessment Area | 182 | 100.0 | 225,399 | 100.0 | 20,354 | 9.0 | 225,399 | 100.0 | |
| | Housing Units by Tract | Housing Types by Tract | | | | | | | |
| | | Owner-Occupied | | | | Rental | | Vacant | |
| | | # | % | % | # | % | # | % | |
| Low-income | 15,395 | 4,718 | 2.0 | 30.6 | 8,400 | 54.6 | 2,277 | 14.8 | |
| Moderate-income | 62,933 | 28,754 | 12.3 | 45.7 | 29,441 | 46.8 | 4,738 | 7.5 | |
| Middle-income | 181,174 | 125,000 | 53.4 | 69.0 | 45,196 | 24.9 | 10,978 | 6.1 | |
| Upper-income | 92,569 | 75,801 | 32.4 | 81.9 | 11,934 | 12.9 | 4,834 | 5.2 | |
| Unknown-income | 0 | 0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 | |
| Total Assessment Area | 352,071 | 234,273 | 100.0 | 66.5 | 94,971 | 27.0 | 22,827 | 6.5 | |
| | Total Businesses by Tract | Businesses by Tract & Revenue Size | | | | | | | |
| | | Less Than or = \$1 Million | | | | Over \$1 Million | | Revenue Not Reported | |
| | | # | % | # | % | # | % | # | % |
| Low-income | 1,362 | 3.5 | 1,098 | 3.2 | 258 | 6.3 | 6 | 2.0 | |
| Moderate-income | 5,625 | 14.5 | 4,919 | 14.3 | 683 | 16.6 | 23 | 7.8 | |
| Middle-income | 18,961 | 49.0 | 16,776 | 48.9 | 2,037 | 49.4 | 148 | 50.0 | |
| Upper-income | 12,749 | 32.9 | 11,488 | 33.5 | 1,142 | 27.7 | 119 | 40.2 | |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | |
| Total Assessment Area | 38,697 | 100.0 | 34,281 | 100.0 | 4,120 | 100.0 | 296 | 100.0 | |
| | Percentage of Total Businesses: | | | 88.6 | | 10.6 | | 0.8 | |
| | Total Farms by Tract | Farms by Tract & Revenue Size | | | | | | | |
| | | Less Than or = \$1 Million | | | | Over \$1 Million | | Revenue Not Reported | |
| | | # | % | # | % | # | % | # | % |
| Low-income | 4 | 0.5 | 4 | 0.6 | 0 | 0.0 | 0 | 0.0 | |
| Moderate-income | 23 | 3.0 | 16 | 2.2 | 7 | 12.3 | 0 | 0.0 | |
| Middle-income | 467 | 60.4 | 428 | 59.8 | 39 | 68.4 | 0 | 0.0 | |
| Upper-income | 279 | 36.1 | 268 | 37.4 | 11 | 19.3 | 0 | 0.0 | |
| Unknown-income | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | |
| Total Assessment Area | 773 | 100.0 | 716 | 100.0 | 57 | 100.0 | 0 | 0.0 | |
| | Percentage of Total Farms: | | | 92.6 | | 7.4 | | 0.0 | |

2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS

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

Population Change

The following table shows the population trends for the counties comprising the assessment area (i.e., Kent and Ottawa Counties), the Grand Rapids-Kentwood, MI MSA, and the state of Michigan from the 2010 Decennial Census and the U.S. Census Bureau’s estimates for 2011-2015. The populations in the counties comprising the assessment area increased and outpaced that of the state of Michigan, as Kent and Ottawa Counties experienced increases of 3.3 and 3.5 percent, respectively, since the 2010 U.S. Census. The counties increase was also slightly more than that of the Grand Rapids-Kentwood, MI MSA. A community representative noted that Kent and Ottawa Counties have higher population growth when compared to the state of Michigan and noted it was due to the attractiveness of the area as a major employment hub.

| Population Change | | | |
|-------------------------------|-----------------|----------------------|-----------------------|
| Area | 2010 Population | 2011-2015 Population | Percentage Change (%) |
| Kent County, MI | 602,622 | 622,590 | 3.3 |
| Ottawa County, MI | 263,801 | 273,136 | 3.5 |
| Grand Rapids-Kentwood, MI MSA | 993,670 | 1,022,794 | 2.9 |
| State of Michigan | 9,883,640 | 9,900,571 | 0.2 |

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

Income Characteristics

The following table presents the median family income (MFI) for families living in the assessment area, the Grand Rapids-Kentwood, MI MSA, and the state of Michigan for date ranges of 2006-2010 and 2011-2015. For context, the assessment area is comprised of 225,399 families, of which 18.7 percent are low-income, 17.4 percent are moderate-income, 22.1 percent are middle-income, and 41.8 percent are upper-income based on 2011-2015 U.S. Census Bureau American Community Survey (ACS) estimates. In addition, 9.0 percent of families in the assessment area are below the poverty level. All areas experienced an inflation-adjusted decrease in MFIs between the two time periods, with the individual counties comprising the assessment area experiencing a smaller decrease than the Grand Rapids-Kentwood, MI MSA and the state of Michigan, which decreased by 2.5 and 5.3 percent, respectively. Ottawa County experienced the smallest decrease in MFI at 1.3 percent and continued to maintain the highest MFI compared to all other areas. Kent County followed with 1.9 percent decrease and has a higher MFI than both the Grand Rapids-Kentwood, MI MSA and state of Michigan.

A community representative acknowledged the growth in MFIs that all counties comprising the assessment area have experienced from 2010 through 2019; however, the representative noted that the pandemic has greatly impacted low-income workers and expects figures to be lower than pre-pandemic levels for 2021.

| Median Family Income Change | | | |
|--|--|--|-----------------------|
| Area | 2006-2010 Median Family Income (In 2015 Dollars) | 2011-2015 Median Family Income (In 2015 Dollars) | Percentage Change (%) |
| Kent County, MI | 66,532 | 65,290 | -1.9 |
| Ottawa County, MI | 71,298 | 70,378 | -1.3 |
| Grand Rapids-Kentwood, MI MSA | 66,163 | 64,496 | -2.5 |
| State of 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

The bank’s assessment area includes 352,071 total housing units, 66.5 percent of which are owner-occupied, 27.0 percent are rental, and 6.5 percent are vacant. The following table presents the recent housing cost burden within the counties that comprise the assessment area, the Grand Rapids-Kentwood, MI MSA, and the state of Michigan. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. Renters across all income levels in Kent and Ottawa Counties experience this burden at 43.8 and 42.2 percent, respectively, which reflects higher rates than the housing cost burden among homeowners in those counties at 16.9 and 14.9 percent, respectively. The Grand Rapids-Kentwood, MI MSA and the state of Michigan rates for renters are comparable to the assessment area at 43.3 percent and 44.6 percent, respectively.

Housing cost burden rates among homeowners present similar comparative trends to those of renters, with individuals in the lower income levels experiencing higher cost burdens than the average homeowner. According to FFIEC HMDA loan and application records, home mortgage trends reflect increases in home mortgage activity in recent years across the assessment area counties and the broader region. These trends suggest a continued increase in demand for home purchases, driving up home values and further indicating that housing cost burden for low-and moderate-income homeowners will remain elevated.

A community representative noted that western Michigan has seen more growth than the rest of the state over the last 10 years, which has resulted in increased pressure to raise housing values and rents, particularly since 2015. However, the aging housing stock has impacted housing values as observed by the representative; both community representatives noted the need for more affordable housing to meet the growing population demand. Representatives also expressed concerns with the housing stock in the assessment area, noting that single-family housing permits have generally slowed over the past decade since the 2008 Great Recession. As stated by one representative, the pandemic has further put a strain on single- and multi-family housing projects, partially due to increased supply costs associated with construction projects.

The following tables present the housing cost burden for low- and moderate-income renters and owners, as well as all renters and owners, in the counties comprising the assessment area of Kent and Ottawa Counties, the Grand Rapids-Kentwood, MI MSA, and the state of Michigan.

| Housing Cost Burden | | | | | | |
|---|----------------------------------|------------------------|--------------------|---------------------------------|------------------------|-------------------|
| Area | Cost Burden (%) - Renters | | | Cost Burden (%) – Owners | | |
| | Low Income | Moderate Income | All Renters | Low Income | Moderate Income | All Owners |
| Kent County, MI | 79.0 | 34.0 | 43.8 | 66.0 | 31.4 | 16.9 |
| Ottawa County, MI | 76.9 | 26.0 | 42.2 | 57.9 | 24.1 | 14.9 |
| Grand Rapids-Kentwood, MI MSA | 78.0 | 32.6 | 43.3 | 63.4 | 29.6 | 16.8 |
| Michigan | 75.7 | 39.7 | 44.6 | 65.8 | 31.8 | 19.7 |
| <i>Cost Burden is housing cost that equals 30.0 percent or more of household income</i> | | | | | | |
| <i>Source: U.S. Department of Housing and Urban Development (HUD), 2011-2015 Comprehensive Housing Affordability Strategy</i> | | | | | | |

Employment Characteristics

The following table presents the unemployment rates in the counties comprising the assessment area, the Grand Rapids-Kentwood, MI MSA, and the state of Michigan. Based on the Bureau of Labor Statistics’ Local Area Unemployment Statistics (LAUS), unemployment rates have decreased or stabilized in all areas reviewed from 2016 to 2019. From 2016 to 2019, the state of Michigan’s unemployment rate remained the highest, and was at 4.1 percent in 2019. Comparatively, Ottawa County maintained the lowest unemployment rate over the years reviewed, but was closely aligned with rates in Kent County and the Grand Rapids-Kentwood, MI MSA. A community representative observed that rates have continued to decline since the 2008 Great Recession; however, another representative noted that there has been a severe labor shortage in the counties over recent years. The representative went on to note that the shortage of labor has been further exacerbated by the COVID-19 pandemic. The labor shortage has caused businesses to compete with each other to acquire and retain talent in a smaller pool of potential employees.

| Unemployment Rates (%) | | | | |
|---|-------------|-------------|-------------|-------------|
| Area | 2016 | 2017 | 2018 | 2019 |
| Kent County, MI | 3.4 | 3.4 | 3.0 | 2.9 |
| Ottawa County, MI | 3.2 | 3.2 | 2.8 | 2.8 |
| Grand Rapids-Kentwood, MI MSA | 3.4 | 3.5 | 3.0 | 2.9 |
| State of Michigan | 4.9 | 4.6 | 4.1 | 4.1 |
| <i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics</i> | | | | |

Industry Characteristics

The primary industries within the assessment area include manufacturing, health care, and retail. Employment within the transportation and warehousing industry experienced significant growth within the previous few years, increasing 30.4 percent from first quarter January 2018 through fourth quarter 2020. A community representative confirmed that manufacturing provides the

main source of employment for the area; however, the representative noted that a significant number of jobs are also in the service industry, specifically in Grand Rapids.

Community Representatives

Two community representatives were contacted to provide context regarding the local economic and housing conditions within the assessment area. They indicated that economic conditions are generally stable, particularly in light of the pandemic. Kent County is one of the main drivers for growth in the area as it is home to Grand Rapids, the second largest city in the state of Michigan. Ottawa County economic activity also drives growth in the area. However, one representative noted concerns with the severe labor shortage, which has put businesses in competition with each other to acquire and retain talent. Additionally, supply chain challenges existed prior to the COVID-19 pandemic, and costs have increased. The pandemic has further exacerbated the labor shortage concern. The need for more housing developments, including affordable options, ranked among the top concerns for the representatives due to the slowing of single- and multi-family housing permits over the past decade.

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

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio

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

As of December 31, 2021, the bank’s LTD ratio averaged 98.9 percent over an 18-quarter period, representing a slight decrease from the previous evaluation where the 16-quarter LTD ratio averaged 101.1 percent. The bank’s LTD ratio exceeded most of its local competitors, with the exception of Mercantile Bank of Michigan and Northpointe Bank. The following table compares the bank’s LTD ratio to a sample of local peer competitors and the peer average.

| Comparative Loan-to-Deposit Ratios as of December 31, 2021 | |
|---|-------------------------------|
| Comparative Data | 18 Quarter Average (%) |
| Grand River Bank | 98.9 |
| Peer Avg – Local | 95.3 |
| Competitors | |
| First National Bank Michigan | 91.2 |
| Horizon Bank | 85.8 |
| Macatawa Bank | 71.6 |
| Mercantile Bank of Michigan | 100.2 |
| Northpointe Bank | 139.6 |
| Old National Bank | 83.0 |
| West Michigan Community Bank | 95.5 |

Assessment Area Concentration

GRB made a substantial majority of its loans within the assessment area. During the review period, the bank originated 84.5 percent by number and 82.5 percent by dollar volume of total loans within the assessment area. Specific to small business lending, the percentage of lending within the assessment area decreased since the prior evaluation, when 97.2 percent by number and 96.7 percent by dollar volume of total loans were originated in the assessment area. As it relates to HMDA-reportable lending, the bank was, similarly, slightly below the performance from the previous evaluation by number, when 86.6 percent of these loans were made in the assessment area, and by dollar volume, when 83.9 percent of total loans were originated in the assessment area. The concentration of lending within the assessment area indicates the bank is actively serving its local community. The following table summarizes the bank’s lending inside and outside of its assessment area for HMDA-reportable loans originated from January 1, 2019 to December 31, 2020 and a sample of small business loans originated from January 1, 2021 to December 31, 2021.

| Loan Types | Inside | | | | Outside | | | |
|-------------------------------------|------------|-------------|----------------|-------------|------------|-------------|---------------|-------------|
| | # | % | \$(000) | % | # | % | \$(000) | % |
| Home Improvement | 6 | 100.0 | 675 | 100.0 | 0 | 0.0 | 0 | 0.0 |
| Home Purchase - Conventional | 328 | 79.8 | 86,495 | 78.3 | 83 | 20.2 | 23,916 | 21.7 |
| Multi-Family Housing | 9 | 64.3 | 8,754 | 57.0 | 5 | 35.7 | 6,611 | 43.0 |
| Refinancing | 400 | 87.7 | 99,922 | 88.7 | 56 | 12.3 | 12,787 | 11.3 |
| Total HMDA Related | 743 | 83.8 | 195,846 | 81.9 | 144 | 16.2 | 43,314 | 18.1 |
| Total Small Business Related | 119 | 89.5 | 21,126 | 88.4 | 14 | 10.5 | 2,771 | 11.6 |
| TOTAL LOANS | 862 | 84.5 | 216,972 | 82.5 | 158 | 15.5 | 46,085 | 17.5 |

Geographic Distribution

GRB demonstrated a reasonable geographic distribution of loans given the bank's assessment area. The analysis includes both HMDA-reportable and small business loans and takes into consideration the demographics and economic conditions of the assessment area, as well as the size and complexity of the bank.

An analysis of the geographic distribution was conducted to determine the dispersion of loans among the census tracts within the assessment area. Specific to HMDA-reportable lending, GRB originated loans in 72.0 percent of the 182 census tracts in the assessment area in 2020. This included penetrating four of the 12 low-income census tracts, 18 of the 33 moderate-income census tracts, 69 of the 90 middle-income census tracts, and 40 of the 46 upper-income census tracts. This performance was improved compared to geographic penetration across census tracts in 2019 which saw an overall penetration rate 57.7 percent for all tracts. Analysis of the sample of small business loans shows originations in 33.0 percent of the 182 census tracts in the assessment area in 2021. This included penetrating two of the 12 low-income census tracts, nine of the 33 moderate-income census tracts, 33 of the 90 middle-income census tracts, and 16 of the 46 upper-income census tracts. Given the bank's overall size and complexity, and the large number of census tracts included in the assessment area relative to number of physical bank locations, examiners determined that there were no conspicuous, unexplained lending gaps in contiguous census tracts.

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

HMDA-Reportable Lending

Geographic distribution of 2020 HMDA-reportable loans is reasonable throughout the assessment area. Given the lower prevalence of low- and moderate-income owner-occupied housing in the assessment area and heavy competition from other institutions, the lending opportunities are

highly sought-after and scarce. GRB ranks 30 out of 474 HMDA reporters within the assessment area, originating or purchasing a total of 470 loans in 2020. The top three HMDA reporters are Lake Michigan Credit Union originating 11,901 loans, Fifth Third Bank originating 3,332 loans, and Quicken Loans originating 2,838 loans. Larger, more complex institutions within the assessment area can traditionally dedicate substantial resources and programs to help reach these geographies.

Home Purchase

In 2020, GRB originated 2.4 percent of home purchase loans in low-income census tracts, which is comparable to the aggregate lending at 2.9 percent and the percentage of owner-occupied units at 2.0 percent. The bank originated 6.5 percent of home purchase loans in moderate-income tracts, which falls below aggregate lending at 14.7 percent and owner-occupied units at 12.3 percent.

The geographic distribution of HMDA-reportable home purchase loans in 2020 is comparable to the lending patterns in 2019.

Refinance

In 2020, GRB originated one refinance loan in low-income census tracts (0.3 percent), which is below both the aggregate lending at 1.1 percent and the percentage of owner-occupied units at 2.0 percent. The bank originated 3.8 percent of refinance loans in moderate-income census tracts, which falls below aggregate lending at 8.5 percent and owner-occupied units at 12.3 percent. The geographic distribution of HMDA-reportable refinance loans in 2020 is comparable to the lending activity in 2019.

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

| Geographic Distribution of HMDA Reportable Loans | | | | | | | | |
|---|---------------------|-------------------------------------|------------|--------------|--------------|----------------|--------------|----------------------------|
| Assessment Area: 2020 Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | | |
| Product Type | Tract Income Levels | Bank & Aggregate Lending Comparison | | | | | | Owner Occupied % of Units |
| | | 2020 | | | 2020 | | | |
| | | Count Bank | | Agg | Dollar Bank | | Agg | |
| | | # | % | % | \$ (000s) | \$ % | \$ % | |
| Home Purchase | Low | 4 | 2.4 | 2.9 | 496 | 1.1 | 1.8 | 2.0 |
| | Moderate | 11 | 6.5 | 14.7 | 1,544 | 3.4 | 10.5 | 12.3 |
| | Middle | 89 | 52.7 | 52.7 | 20,847 | 45.8 | 49.4 | 53.4 |
| | Upper | 65 | 38.5 | 29.7 | 22,640 | 49.7 | 38.3 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | | 169 | 100.0 | 100.0 | 45,527 | 100.0 | 100.0 |
| Refinance | Low | 1 | 0.3 | 1.0 | 515 | 0.7 | 0.6 | 2.0 |
| | Moderate | 11 | 3.8 | 8.5 | 2,061 | 2.9 | 5.6 | 12.3 |
| | Middle | 109 | 38.1 | 50.4 | 23,968 | 33.6 | 45.8 | 53.4 |
| | Upper | 165 | 57.7 | 40.1 | 44,848 | 62.8 | 48.0 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | | 286 | 100.0 | 100.0 | 71,392 | 100.0 | 100.0 |
| Home Improvement | Low | 0 | 0.0 | 1.3 | 0 | 0.0 | 1.0 | 2.0 |
| | Moderate | 1 | 50.0 | 7.7 | 126 | 38.8 | 5.5 | 12.3 |
| | Middle | 1 | 50.0 | 50.8 | 199 | 61.2 | 45.7 | 53.4 |
| | Upper | 0 | 0.0 | 40.2 | 0 | 0.0 | 47.7 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | | 2 | 100.0 | 100.0 | 325 | 100.0 | 100.0 |
| Multi-Family | Low | 0 | 0.0 | 4.4 | 0 | 0.0 | 2.1 | Multi-Family 4.4 |
| | Moderate | 2 | 28.6 | 28.9 | 3,670 | 54.9 | 49.4 | 31.3 |
| | Middle | 4 | 57.1 | 53.3 | 2,069 | 31.0 | 40.1 | 49.9 |
| | Upper | 1 | 14.3 | 13.3 | 945 | 14.1 | 8.4 | 14.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | | 7 | 100.0 | 100.0 | 6,684 | 100.0 | 100.0 |
| Other Purpose LOC | Low | 0 | 0.0 | 0.7 | 0 | 0.0 | 0.4 | 2.0 |
| | Moderate | 0 | 0.0 | 7.6 | 0 | 0.0 | 4.2 | 12.3 |
| | Middle | 0 | 0.0 | 49.3 | 0 | 0.0 | 45.1 | 53.4 |
| | Upper | 0 | 0.0 | 42.4 | 0 | 0.0 | 50.4 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 |
| Other Purpose Closed/Exempt | Low | 0 | 0.0 | 2.9 | 0 | 0.0 | 3.8 | 2.0 |
| | Moderate | 0 | 0.0 | 11.5 | 0 | 0.0 | 9.9 | 12.3 |
| | Middle | 0 | 0.0 | 51.4 | 0 | 0.0 | 38.5 | 53.4 |
| | Upper | 0 | 0.0 | 34.1 | 0 | 0.0 | 47.8 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 |
| Loan Purpose Not Applicable | Low | 0 | 0.0 | 4.2 | 0 | 0.0 | 2.2 | 2.0 |
| | Moderate | 0 | 0.0 | 23.1 | 0 | 0.0 | 15.1 | 12.3 |
| | Middle | 0 | 0.0 | 51.0 | 0 | 0.0 | 40.7 | 53.4 |
| | Upper | 0 | 0.0 | 21.7 | 0 | 0.0 | 42.1 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 |
| HMDA Totals | Low | 5 | 1.1 | 1.6 | 1,011 | 0.8 | 1.1 | 2.0 |
| | Moderate | 25 | 5.4 | 10.5 | 7,401 | 6.0 | 9.6 | 12.3 |
| | Middle | 203 | 43.8 | 51.1 | 47,083 | 38.0 | 46.6 | 53.4 |
| | Upper | 231 | 49.8 | 36.7 | 68,433 | 55.2 | 42.7 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | | 464 | 100.0 | 100.0 | 123,928 | 100.0 | 100.0 |

Originations & Purchases
2016 FFIEC Census Data

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

Small Business Lending

Geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank originated 2.5 percent of small business loans within the sample in low-income census tracts which is comparable to the 3.5 percent of businesses located in low-income census tracts. The bank originated 10.1 percent of its small business loans in moderate-income census tracts which was below the percentage of businesses located in moderate-income census tracts at 14.5 percent. The following table presents the geographic distribution of a sample of small business loans in the assessment area from January 1, 2021 to December 31, 2021.

| Geographic Distribution of Small Business Loans | | | | | | |
|--|----------------------------|--|--------------|-------------------------|--------------|-------------------------|
| Assessment Area: 2021 Grand Rapids-Kentwood, MI MSA 24340 | | | | | | |
| | Tract Income Levels | Bank & Demographic Comparison | | | | |
| | | Count Bank | | 2021 Dollar Bank | | Total Businesses |
| | | # | % | \$ 000s | \$ % | |
| Small Business | Low | 3 | 2.5 | 281 | 1.3 | 3.5 |
| | Moderate | 12 | 10.1 | 2,346 | 11.1 | 14.5 |
| | Middle | 69 | 58.0 | 13,264 | 62.8 | 49.0 |
| | Upper | 35 | 29.4 | 5,235 | 24.8 | 32.9 |
| | Unknown | 0 | 0.0 | 0 | 0.0 | 0.0 |
| | Total | 119 | 100.0 | 21,126 | 100.0 | 100.0 |

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

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

GRB’s distribution of loans 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. The analysis includes both HMDA-reportable and small business loans and takes into consideration the demographics and economic conditions of the assessment area and the size and complexity of the bank.

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

HMDA-Reportable Lending

Borrower distribution of 2020 HMDA-reportable home purchase and refinance loans demonstrates a reasonable dispersion of loans amongst borrowers of different income levels.. Lending to low- and moderate-income borrowers was particularly difficult in 2020 due to the COVID-19 pandemic, which had a substantial adverse impact on home mortgage lending throughout the year. Additionally, heavy competition exists within the assessment area and larger institutions within it are able to dedicate significant resources to reaching low-and moderate-income borrowers. Finally, the bank's main office location is located in the city of Grandville, which is approximately 10 miles from downtown Grand Rapids, where there are higher concentrations of low- and moderate-income borrowers. The bank's newly opened branch is located in Grand Rapids; however, this branch was not open during the HMDA review period of January 1, 2019 through December 31, 2020.

Home Purchase

In 2020, GRB originated 6.5 percent of home purchase loans to low-income borrowers, which is below aggregate lending at 8.3 percent and well below the percentage of low-income families at 18.7 percent in the assessment area. The bank originated 19.5 percent of home purchase loans to moderate-income families, which falls below aggregate lending at 27.1 percent, but is consistent with the percentage of moderate-income borrowers at 17.4 percent.

The borrower distribution of HMDA-reportable home purchase loans in 2020 is comparable to lending activity in 2019.

Refinance

In 2020, GRB originated 1.4 percent of refinance loans to low-income borrowers, which is below aggregate of lenders performance of 5.3 percent and significantly below the percentage of low-income families at 18.7 percent. Similarly, the bank originated 10.5 percent of refinance loans to moderate-income borrowers, which was also below the aggregate lender performance of 18.4 percent and the percentage of moderate-income families at 17.4 percent.

The borrower distribution of HMDA-reportable refinance loans in 2020 is comparable to the lending activity in 2019.

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

| Borrower Distribution of HMDA Reportable Loans | | | | | | | | |
|--|------------------------|-------------------------------------|------------|--------------|--------------|----------------|--------------|-----------------------------|
| Assessment Area: 2020 Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | | |
| Product Type | Borrower Income Levels | Bank & Aggregate Lending Comparison | | | | | | Families by Family Income % |
| | | 2020 | | | Dollar | | | |
| | | Count Bank | | Agg | Bank | | Agg | |
| | | # | % | % | \$(000s) | \$ % | \$ % | |
| Home Purchase | Low | 11 | 6.5 | 8.3 | 1,468 | 3.2 | 4.8 | 18.7 |
| | Moderate | 33 | 19.5 | 27.1 | 5,915 | 13.0 | 20.6 | 17.4 |
| | Middle | 39 | 23.1 | 23.7 | 8,113 | 17.8 | 21.9 | 22.1 |
| | Upper | 82 | 48.5 | 33.5 | 29,253 | 64.3 | 45.7 | 41.8 |
| | Unknown | 4 | 2.4 | 7.4 | 778 | 1.7 | 7.0 | 0.0 |
| | Total | | 169 | 100.0 | 100.0 | 45,527 | 100.0 | 100.0 |
| Refinance | Low | 4 | 1.4 | 5.3 | 448 | 0.6 | 2.8 | 18.7 |
| | Moderate | 30 | 10.5 | 18.4 | 5,603 | 7.8 | 12.8 | 17.4 |
| | Middle | 70 | 24.5 | 24.4 | 14,020 | 19.6 | 20.8 | 22.1 |
| | Upper | 166 | 58.0 | 42.1 | 47,534 | 66.6 | 53.4 | 41.8 |
| | Unknown | 16 | 5.6 | 9.8 | 3,787 | 5.3 | 10.1 | 0.0 |
| | Total | | 286 | 100.0 | 100.0 | 71,392 | 100.0 | 100.0 |
| Home Improvement | Low | 0 | 0.0 | 6.2 | 0 | 0.0 | 3.7 | 18.7 |
| | Moderate | 0 | 0.0 | 15.6 | 0 | 0.0 | 11.9 | 17.4 |
| | Middle | 0 | 0.0 | 26.3 | 0 | 0.0 | 23.1 | 22.1 |
| | Upper | 2 | 100.0 | 50.1 | 325 | 100.0 | 59.2 | 41.8 |
| | Unknown | 0 | 0.0 | 1.8 | 0 | 0.0 | 2.2 | 0.0 |
| | Total | | 2 | 100.0 | 100.0 | 325 | 100.0 | 100.0 |
| Multi-Family | Low | 0 | 0.0 | 1.1 | 0 | 0.0 | 0.0 | 18.7 |
| | Moderate | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 17.4 |
| | Middle | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 22.1 |
| | Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 41.8 |
| | Unknown | 7 | 100.0 | 98.9 | 6,684 | 100.0 | 100.0 | 0.0 |
| | Total | | 7 | 100.0 | 100.0 | 6,684 | 100.0 | 100.0 |
| Other Purpose LOC | Low | 0 | 0.0 | 6.6 | 0 | 0.0 | 3.4 | 18.7 |
| | Moderate | 0 | 0.0 | 17.1 | 0 | 0.0 | 11.5 | 17.4 |
| | Middle | 0 | 0.0 | 23.5 | 0 | 0.0 | 18.2 | 22.1 |
| | Upper | 0 | 0.0 | 49.7 | 0 | 0.0 | 63.5 | 41.8 |
| | Unknown | 0 | 0.0 | 3.2 | 0 | 0.0 | 3.3 | 0.0 |
| | Total | | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 |
| Other Purpose Closed/Exempt | Low | 0 | 0.0 | 8.1 | 0 | 0.0 | 5.3 | 18.7 |
| | Moderate | 0 | 0.0 | 19.8 | 0 | 0.0 | 13.0 | 17.4 |
| | Middle | 0 | 0.0 | 26.0 | 0 | 0.0 | 18.6 | 22.1 |
| | Upper | 0 | 0.0 | 42.3 | 0 | 0.0 | 60.8 | 41.8 |
| | Unknown | 0 | 0.0 | 3.8 | 0 | 0.0 | 2.3 | 0.0 |
| | Total | | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 |
| Loan Purpose Not Applicable | Low | 0 | 0.0 | 0.8 | 0 | 0.0 | 0.7 | 18.7 |
| | Moderate | 0 | 0.0 | 1.4 | 0 | 0.0 | 1.1 | 17.4 |
| | Middle | 0 | 0.0 | 0.7 | 0 | 0.0 | 0.7 | 22.1 |
| | Upper | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 41.8 |
| | Unknown | 0 | 0.0 | 97.1 | 0 | 0.0 | 97.5 | 0.0 |
| | Total | | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 |
| HMDA Totals | Low | 15 | 3.2 | 6.3 | 1,916 | 1.5 | 3.4 | 18.7 |
| | Moderate | 63 | 13.6 | 20.7 | 11,518 | 9.3 | 14.6 | 17.4 |
| | Middle | 109 | 23.5 | 24.0 | 22,133 | 17.9 | 19.9 | 22.1 |
| | Upper | 250 | 53.9 | 39.6 | 77,112 | 62.2 | 47.9 | 41.8 |
| | Unknown | 27 | 5.8 | 9.4 | 11,249 | 9.1 | 14.2 | 0.0 |
| | Total | | 464 | 100.0 | 100.0 | 123,928 | 100.0 | 100.0 |

Originations & Purchases

2016 FFIEC Census Data

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

Small Business Lending

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Within the sample, the bank originated 15.1 percent, by number, of small business loans to businesses with gross annual revenue of \$1.0 million or less. This resulted in the bank performing significantly below the percentage of total businesses in the assessment area that reported gross annual revenues of \$1.0 million or less. However, given the competitive market the bank operates in, and the bank’s overall size and complexity, and most notably the 63.0 percent of loans to businesses of unknown revenue – the category the majority of the Small Business Association’s Paycheck Protection Program (PPP) loans fall into, the bank’s performance is considerable reasonable. Overall, the bank’s small business lending demonstrates its willingness to meet credit needs of local businesses, particularly supported by participation in PPP lending, and the 38.9 percent of small dollar loans made (i.e., \$100,000 or less), which are typically deemed most beneficial to small businesses. PPP loans are incredibly beneficial to the community as they are exclusively for payroll or income replacement. These loans have a positive impact on the surrounding community as they help replenish the income loss due to the pandemic. The following table presents the borrower distribution of small business loans in the assessment area from January 1, 2021 to December 31, 2021.

| Small Business Lending By Revenue & Loan Size | | | | | | | |
|--|----------------------------------|-------------------------------|--------------|--------------|---------------|--------------------------|--------------|
| Assessment Area: 2021 Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | |
| Product Type | | Bank & Demographic Comparison | | | | | |
| | | 2021 | | 2021 | | Total Businesses % | |
| # | % | \$ 000s | \$ % | Bank | | | |
| | | | | Count | Dollar | | |
| | | Bank | Bank | | | | |
| | | # | % | \$ 000s | \$ % | % | |
| Small Business | Revenue | \$1 Million or Less | 18 | 15.1 | 4,511 | 21.4 | 88.6 |
| | | Over \$1 Million | 26 | 21.8 | 5,841 | 27.6 | 10.6 |
| | | Unknown | 75 | 63.0 | 10,774 | 51.0 | 0.8 |
| | | Total | 119 | 100.0 | 21,126 | 100.0 | 100.0 |
| | Loan Size | \$100,000 or Less | 58 | 48.7 | 2,801 | 13.3 | |
| | | \$100,001 - \$250,000 | 34 | 28.6 | 5,467 | 25.9 | |
| | | \$250,001 - \$1 Million | 27 | 22.7 | 12,858 | 60.9 | |
| | | Total | 119 | 100.0 | 21,126 | 100.0 | |
| | Loan Size & Rev \$1 Mill or Less | \$100,000 or Less | 7 | 38.9 | 196 | 4.3 | |
| | | \$100,001 - \$250,000 | 2 | 11.1 | 315 | 7.0 | |
| \$250,001 - \$1 Million | | 9 | 50.0 | 3,999 | 88.7 | | |
| Total | | 18 | 100.0 | 4,510 | 100.0 | | |
| Originations & Purchases | | | | | | | |
| 2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS | | | | | | | |
| <i>Note: Percentages may not add to 100.0 percent due to rounding</i> | | | | | | | |

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

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

Lending, Investment, and Service Activities

GRB demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans and qualified donations. The bank made a relatively even allocation of its loans between the primary purposes of affordable housing, revitalization/stabilization, and community service. Additionally, the bank made a majority of its donations by dollar amount to community services benefiting low- and moderate-income individuals and families.

Lending

The bank originated 25 qualified loans totaling \$10.4 million within the assessment area. This was the first time the bank has submitted community development loans. Four of the 25 loans, with a total amount of \$1.1 million dollars, were to a non-profit dedicated to ending homelessness by providing emergency shelter. These loans are particularly responsive to the needs of the community as identified by a community representative in the area, providing housing to those most vulnerable. Other loans were also responsive to community needs, providing affordable housing or capital for community service organizations focused on low- and moderate-income families and individuals.

Investments

The bank did not have any qualified investments for this evaluation. However, the ability for the bank to compete for these types of activities is limited by the bank's asset size, its limited retail network, and competitive market conditions for these types of investments by much larger financial institutions in the area.

The bank made six qualified donations, totaling \$7,605, to community organizations. The majority of dollars went to organizations with a focus on community services that benefit low- and moderate-income individuals and families (\$5,355). The remaining three donations, totaling \$2,250, went to community organizations with a focus on affordable housing, again showing the bank focusing its efforts on community needs, as noted by the community representatives.

Services

The bank did not conduct any qualified community services. The bank’s recent change of status to an Intermediate-Small Bank occurred during the pandemic, limiting its ability to participate in traditional in-person events. Further, for the majority of the review period, the bank had only its main office which has a limited number of employees relative to other similarly sized banks in the market.

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

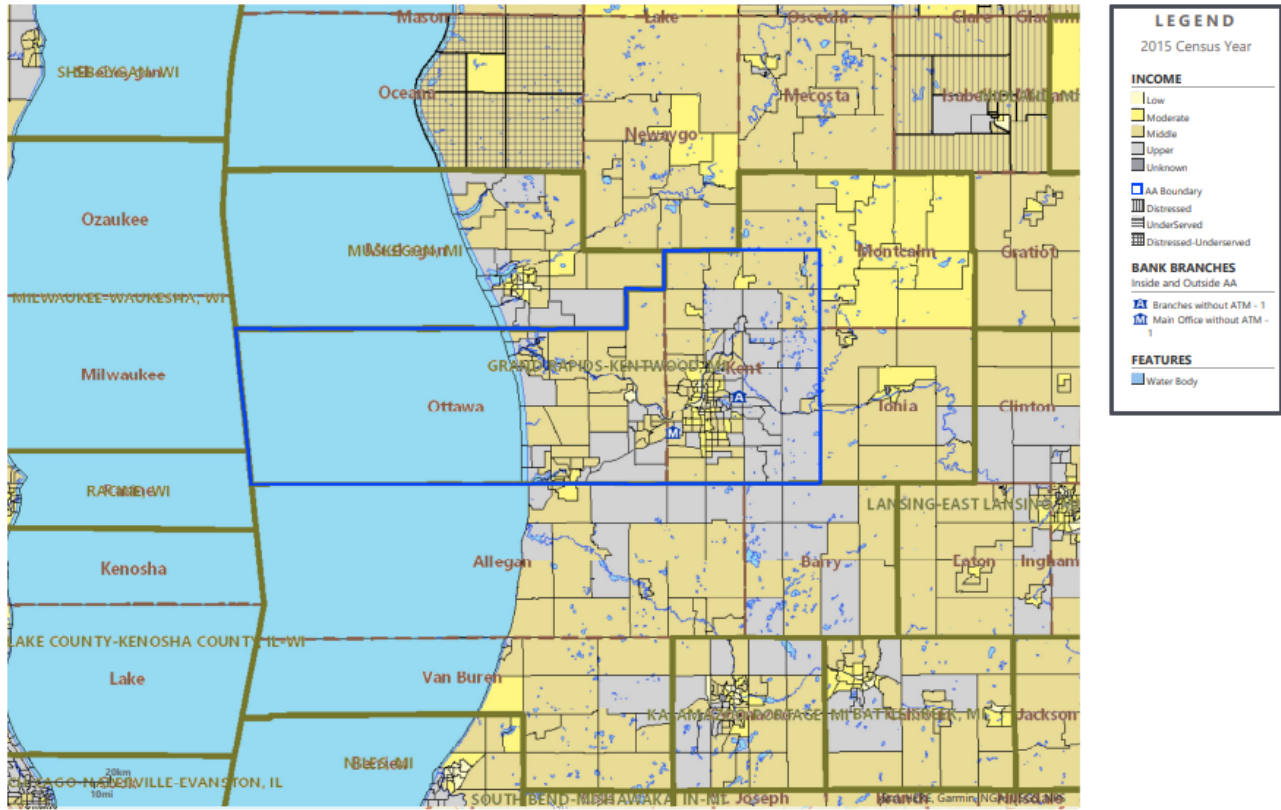
| Summary of Community Development Activities March 20, 2018 – April 18, 2022 | | | | | | | | | | |
|--|---------------------------|-----------------|-----------------------------|-----------------|---------------------------------|-----------------|--------------------------|-----------------|---------------|-----------------|
| Type of Activity | Affordable Housing | | Economic Development | | Revitalize and Stabilize | | Community Service | | Totals | |
| | # | \$/Hours | # | \$/Hours | # | \$/Hours | # | \$/Hours | # | \$/Hours |
| Lending | 9 | 3,544,740 | 0 | 0 | 2 | 3,572,051 | 14 | 3,243,496 | 25 | 10,360,287 |
| Investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Donations | 3 | 2,250 | 0 | 0 | 0 | 0 | 3 | 5,355 | 6 | 7,605 |
| Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Map of Assessment Area

Grand River Bank 3812147
Grand Rapids-Kentwood, MI MSA 24340



APPENDIX B – Scope of Examination

| SCOPE OF EXAMINATION | | | |
|---|-------------------------------|--|---|
| TIME PERIOD REVIEWED | | HMDA-Reportable Lending: January 1, 2019 – December 31, 2020 Small Business Lending: January 1, 2021 – December 31, 2021 Community Development Activities: March 20, 2018 – April 18, 2022 | |
| FINANCIAL INSTITUTION | | | PRODUCTS REVIEWED |
| Grand River Bank | | | HMDA-Reportable Loans Small Business Loans |
| AFFILIATE(S) | AFFILIATE RELATIONSHIP | | PRODUCTS REVIEWED |
| None | Not Applicable | | Not Applicable |
| LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION | | | |
| ASSESSMENT AREA | TYPE OF EXAMINATION | BRANCHES VISITED | OTHER INFORMATION |
| Michigan Grand Rapids-Kentwood, MI MSA #24340 | Full scope review | None | Not Applicable |

APPENDIX C – 2019 Lending Tables

| Geographic Distribution of HMDA Reportable Loans | | | | | | | | |
|---|---------------------|-------------------------------------|--------------|--------------|---------------|--------------|---------------------------|----------------------------|
| Assessment Area: 2019 Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | | |
| Product Type | Tract Income Levels | Bank & Aggregate Lending Comparison | | | | | Owner Occupied % of Units | |
| | | Count | | Dollar | | | | |
| | | Bank | Agg | Bank | Agg | Agg | | |
| | | # | % | % | \$ (000s) | \$ % | \$ % | |
| Home Purchase | Low | 3 | 1.9 | 3.0 | 565 | 1.4 | 1.8 | 2.0 |
| | Moderate | 13 | 8.2 | 14.7 | 1,853 | 4.5 | 10.4 | 12.3 |
| | Middle | 83 | 52.2 | 52.2 | 20,341 | 49.7 | 48.8 | 53.4 |
| | Upper | 60 | 37.7 | 30.2 | 18,209 | 44.4 | 39.1 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | 159 | 100.0 | 100.0 | 40,968 | 100.0 | 100.0 | 100.0 |
| Refinance | Low | 0 | 0.0 | 1.1 | 0 | 0.0 | 0.6 | 2.0 |
| | Moderate | 3 | 2.6 | 10.4 | 429 | 1.5 | 6.9 | 12.3 |
| | Middle | 53 | 46.5 | 51.3 | 11,239 | 39.4 | 46.8 | 53.4 |
| | Upper | 58 | 50.9 | 37.1 | 16,862 | 59.1 | 45.7 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | 114 | 100.0 | 100.0 | 28,530 | 100.0 | 100.0 | 100.0 |
| Home Improvement | Low | 0 | 0.0 | 1.7 | 0 | 0.0 | 1.3 | 2.0 |
| | Moderate | 1 | 25.0 | 9.6 | 160 | 45.7 | 6.9 | 12.3 |
| | Middle | 1 | 25.0 | 51.6 | 20 | 5.7 | 46.5 | 53.4 |
| | Upper | 2 | 50.0 | 37.2 | 170 | 48.6 | 45.3 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | 4 | 100.0 | 100.0 | 350 | 100.0 | 100.0 | 100.0 |
| Multi-Family | Low | 0 | 0.0 | 1.3 | 0 | 0.0 | 0.1 | Multi-Family 4.4 |
| | Moderate | 1 | 50.0 | 30.7 | 270 | 13.0 | 11.7 | 31.3 |
| | Middle | 1 | 50.0 | 52.0 | 1,800 | 87.0 | 65.9 | 49.9 |
| | Upper | 0 | 0.0 | 16.0 | 0 | 0.0 | 22.3 | 14.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | 2 | 100.0 | 100.0 | 2,070 | 100.0 | 100.0 | 100.0 |
| Other Purpose LOC | Low | 0 | 0.0 | 0.6 | 0 | 0.0 | 0.2 | 2.0 |
| | Moderate | 0 | 0.0 | 8.8 | 0 | 0.0 | 4.5 | 12.3 |
| | Middle | 0 | 0.0 | 49.1 | 0 | 0.0 | 43.8 | 53.4 |
| | Upper | 0 | 0.0 | 41.5 | 0 | 0.0 | 51.4 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 | 100.0 |
| Other Purpose Closed/Exempt | Low | 0 | 0.0 | 1.4 | 0 | 0.0 | 1.2 | 2.0 |
| | Moderate | 0 | 0.0 | 11.5 | 0 | 0.0 | 6.4 | 12.3 |
| | Middle | 0 | 0.0 | 55.1 | 0 | 0.0 | 47.9 | 53.4 |
| | Upper | 0 | 0.0 | 32.0 | 0 | 0.0 | 44.5 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 | 100.0 |
| Loan Purpose Not Applicable | Low | 0 | 0.0 | 3.1 | 0 | 0.0 | 1.1 | 2.0 |
| | Moderate | 0 | 0.0 | 17.7 | 0 | 0.0 | 12.5 | 12.3 |
| | Middle | 0 | 0.0 | 59.2 | 0 | 0.0 | 58.3 | 53.4 |
| | Upper | 0 | 0.0 | 20.1 | 0 | 0.0 | 28.0 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 | 100.0 |
| HMDA Totals | Low | 3 | 1.1 | 2.0 | 565 | 0.8 | 1.2 | 2.0 |
| | Moderate | 18 | 6.5 | 12.4 | 2,712 | 3.8 | 8.9 | 12.3 |
| | Middle | 138 | 49.5 | 51.8 | 33,400 | 46.4 | 48.8 | 53.4 |
| | Upper | 120 | 43.0 | 33.9 | 35,241 | 49.0 | 41.1 | 32.4 |
| | Unknown | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 0.0 |
| | Total | 279 | 100.0 | 100.0 | 71,918 | 100.0 | 100.0 | 100.0 |

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

| Borrower Distribution of HMDA Reportable Loans | | | | | | | | |
|--|------------------------|-------------------------------------|------------|--------------|--------------|---------------|-----------------------------|--------------|
| Assessment Area: 2019 Grand Rapids-Kentwood, MI MSA 24340 | | | | | | | | |
| Product Type | Borrower Income Levels | Bank & Aggregate Lending Comparison | | | | | Families by Family Income % | |
| | | 2019 | | | | | | |
| | | Count Bank | | Agg | Dollar Bank | | | Agg |
| | | # | % | % | \$(000s) | \$ % | \$ % | |
| Home Purchase | Low | 6 | 3.8 | 7.8 | 808 | 2.0 | 4.4 | 18.7 |
| | Moderate | 23 | 14.5 | 23.9 | 3,786 | 9.2 | 17.4 | 17.4 |
| | Middle | 30 | 18.9 | 25.1 | 5,803 | 14.2 | 22.4 | 22.1 |
| | Upper | 92 | 57.9 | 35.1 | 29,180 | 71.2 | 47.7 | 41.8 |
| | Unknown | 8 | 5.0 | 8.1 | 1,391 | 3.4 | 8.1 | 0.0 |
| | Total | | 159 | 100.0 | 100.0 | 40,968 | 100.0 | 100.0 |
| Refinance | Low | 5 | 4.4 | 6.7 | 534 | 1.9 | 3.5 | 18.7 |
| | Moderate | 8 | 7.0 | 19.1 | 1,300 | 4.6 | 13.3 | 17.4 |
| | Middle | 23 | 20.2 | 23.9 | 4,389 | 15.4 | 20.4 | 22.1 |
| | Upper | 74 | 64.9 | 40.2 | 21,324 | 74.7 | 51.5 | 41.8 |
| | Unknown | 4 | 3.5 | 10.1 | 983 | 3.4 | 11.3 | 0.0 |
| | Total | | 114 | 100.0 | 100.0 | 28,530 | 100.0 | 100.0 |
| Home Improvement | Low | 0 | 0.0 | 6.6 | 0 | 0.0 | 4.7 | 18.7 |
| | Moderate | 0 | 0.0 | 18.7 | 0 | 0.0 | 14.0 | 17.4 |
| | Middle | 2 | 50.0 | 26.1 | 40 | 11.4 | 21.9 | 22.1 |
| | Upper | 2 | 50.0 | 46.4 | 310 | 88.6 | 56.7 | 41.8 |
| | Unknown | 0 | 0.0 | 2.2 | 0 | 0.0 | 2.7 | 0.0 |
| | Total | | 4 | 100.0 | 100.0 | 350 | 100.0 | 100.0 |
| Multi-Family | Low | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 18.7 |
| | Moderate | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 17.4 |
| | Middle | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.0 | 22.1 |
| | Upper | 0 | 0.0 | 6.7 | 0 | 0.0 | 0.6 | 41.8 |
| | Unknown | 2 | 100.0 | 93.3 | 2,070 | 100.0 | 99.4 | 0.0 |
| | Total | | 2 | 100.0 | 100.0 | 2,070 | 100.0 | 100.0 |
| Other Purpose LOC | Low | 0 | 0.0 | 8.3 | 0 | 0.0 | 4.4 | 18.7 |
| | Moderate | 0 | 0.0 | 18.3 | 0 | 0.0 | 12.3 | 17.4 |
| | Middle | 0 | 0.0 | 23.9 | 0 | 0.0 | 19.2 | 22.1 |
| | Upper | 0 | 0.0 | 47.0 | 0 | 0.0 | 61.4 | 41.8 |
| | Unknown | 0 | 0.0 | 2.6 | 0 | 0.0 | 2.6 | 0.0 |
| | Total | | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 |
| Other Purpose Closed/Exempt | Low | 0 | 0.0 | 8.4 | 0 | 0.0 | 5.6 | 18.7 |
| | Moderate | 0 | 0.0 | 19.2 | 0 | 0.0 | 12.7 | 17.4 |
| | Middle | 0 | 0.0 | 28.6 | 0 | 0.0 | 19.5 | 22.1 |
| | Upper | 0 | 0.0 | 41.1 | 0 | 0.0 | 58.1 | 41.8 |
| | Unknown | 0 | 0.0 | 2.6 | 0 | 0.0 | 4.0 | 0.0 |
| | Total | | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 |
| Loan Purpose Not Applicable | Low | 0 | 0.0 | 1.0 | 0 | 0.0 | 0.3 | 18.7 |
| | Moderate | 0 | 0.0 | 1.4 | 0 | 0.0 | 2.1 | 17.4 |
| | Middle | 0 | 0.0 | 1.0 | 0 | 0.0 | 1.0 | 22.1 |
| | Upper | 0 | 0.0 | 2.0 | 0 | 0.0 | 3.7 | 41.8 |
| | Unknown | 0 | 0.0 | 94.6 | 0 | 0.0 | 92.9 | 0.0 |
| | Total | | 0 | 0.0 | 100.0 | 0 | 0.0 | 100.0 |
| HMDA Totals | Low | 11 | 3.9 | 7.2 | 1,342 | 1.9 | 3.8 | 18.7 |
| | Moderate | 31 | 11.1 | 21.0 | 5,086 | 7.1 | 14.6 | 17.4 |
| | Middle | 55 | 19.7 | 24.5 | 10,232 | 14.2 | 20.2 | 22.1 |
| | Upper | 168 | 60.2 | 38.4 | 50,814 | 70.7 | 47.1 | 41.8 |
| | Unknown | 14 | 5.0 | 8.8 | 4,444 | 6.2 | 14.2 | 0.0 |
| | Total | | 279 | 100.0 | 100.0 | 71,918 | 100.0 | 100.0 |

Originations & Purchases
2016 FFIEC Census Data

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

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.¹

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

¹ Source: FFIEC press release dated October 19, 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Level: Income level means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 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).