

# **PUBLIC DISCLOSURE**

September 14, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

German American State Bank  
Certificate Number: 05749

100 Church Street  
German Valley, IL 61039

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Chicago Regional Office

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

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

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## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

German American State Bank (GASB) Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's performance.

- The net loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- The bank made a majority of its small farm, small business, and home mortgage loans in the AA.
- The AA does not include low- or moderate-income geographies and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, examiners did not evaluate this criterion.
- The distribution of borrowers reflects reasonable penetration of loans among farms and businesses of different sizes, and individuals of different income levels (including low- and moderate- income).
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

## DESCRIPTION OF INSTITUTION

### **Background**

GASB is wholly owned by Foresight Financial Group, Inc., a six-bank holding company located in Winnebago, Illinois. The bank operates from its main office located in German Valley, Illinois in Stephenson County in a middle-income census tract. GASB also has three branch banking offices located in upper-income census tracts in Winnebago County: one in Pecatonica, Illinois; one in Seward, Illinois; and one in Winnebago, Illinois. The bank has not opened or closed any branch banking offices since the previous CRA evaluation. Management established a Loan Production Office (LPO) in the fourth quarter of 2019 in Belvidere, Illinois, with a primary focus on farm lending. GASB received a "Satisfactory" rating using the Interagency Evaluation Procedures for Small Institutions at the previous CRA evaluation dated October 20, 2014.

GASB bank has five affiliate sister banks (Northwest Bank of Rockford, State Bank in Freeport, State Bank of Herscher, Lena State Bank, and State Bank of Davis), all located in northern Illinois. The bank has an independent charter, with no other subsidiaries or affiliates.

## Operations

GASB is a full-service community bank that offers products and services to meet the credit and deposit needs of the local area it serves. Deposit products consist of checking, savings, certificates of deposit, money market, and individual retirement accounts. Loan products consist of consumer loans (for personal, household and family purposes), real estate loans (for residential, business, farm, and construction purposes), commercial loans, and farm loans. The bank maintains a website with online banking services for deposit customers to review transactions, check balances, transfer between accounts, make loan payments, and pay bills.

Most recently, the bank began originating loans under the Paycheck Protection Program (PPP) guaranteed by the Small Business Administration (SBA). Additional details regarding the benefits of these loan programs are discussed later in this evaluation.

## Ability and Capacity

According to the June 30, 2020, Consolidated Reports of Condition and Income, GASB reported total assets of \$272.1 million, net loans of \$179.5 million, and total deposits of \$238.7 million, yielding a net LTD ratio of 75.2 percent and a net loan-to-assets ratio of 66.0 percent. GASB's assets increased \$63.7 million or 30.6 percent since the previous CRA Evaluation. Loans and leases increased \$30.2 million or 20.3 percent.

Loan growth by dollar volume has been primarily in commercial real estate, consumer, farmland, commercial and industrial, and construction and land development. More specifically, from June 30, 2014, to June 30, 2020, commercial real estate increased \$10.5 million (60.5 percent), consumer lending increased 10.1 million (187.9 percent), farmland increased \$8.7 million (22.9 percent), commercial and industrial lending increased \$7.2 million (25.5 percent), and construction and land development increased \$1.0 million (159.9 percent).

The bank's loan portfolio is diversified between farm, commercial, and residential loans. Farm lending represents 42.1 percent; commercial lending, including commercial real estate and commercial and industrial loans, represents 35.3 percent; while residential lending, including 1-4 family and multifamily, represents 12.9 percent of the loan portfolio.

<b>Loan Portfolio Distribution as of June 30, 2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	1,689	0.9
Secured by Farmland	46,998	26.2
Secured by 1-4 Family Residential Properties	23,131	12.9
Secured by Multifamily (5 or more) Residential Properties	177	0.1
Secured by Nonfarm Nonresidential Properties	28,059	15.6
<b>Total Real Estate Loans</b>	<b>100,054</b>	<b>55.7</b>
Commercial and Industrial Loans	35,299	19.7
Agricultural Loans	28,517	15.9
Consumer Loans	15,404	8.6
Other Loan and Leases	2,668	1.5
Unearned Income	(243)	(0.1)
Loan Loss Allowance	(2,220)	(1.2)
<b>Net Loans</b>	<b>179,479</b>	<b>100.0</b>

*Source: Reports of Condition and Income.*

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet AA credit needs.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance is evaluated. GASB's AA has not changed since the previous examination. It consists of two contiguous census tracts in Winnebago County within the Rockford, Illinois Metropolitan Statistical Area (MSA), and three contiguous census tracts in Ogle and Stephenson Counties, which are part of the non-MSA in Illinois. While GASB's AA includes geographies in an MSA and non-MSA, these geographies are demographically similar and are included as a single AA in this evaluation.

The AA is consistent with the requirements of the CRA, as it is comprised of whole geographies, it does not arbitrarily exclude any low- or moderate-income geography, and it includes the census tracts in which the bank operates its main office, and branch banking offices. The nearest concentration of low- and moderate-income geographies in Freeport, Illinois are approximately seven miles from the bank's main office, while the bank's branch in Winnebago, Illinois is approximately four miles from nearest concentration of low- and moderate-income census tracts in Rockford, Illinois. Management has historically maintained this AA to prevent overlapping with the AAs of its affiliate sister banks.

### **Economic and Demographic Data**

Examiners used demographic data from the 2015 American Community Survey (ACS) compiled by the U.S. Census Bureau to analyze the bank's CRA performance. Consistent with the Federal Financial Institutions Examination Council (FFIEC) standards, examiners utilized demographic data for comparative purposes to evaluate lending. The AA's census tracts consists of three upper-income census tracts and two middle-income census tracts. The following table illustrates select 2015 ACS AA demographic characteristics.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	5	0.0	0.0	40.0	60.0	0.0
Population by Geography	23,201	0.0	0.0	30.6	69.4	0.0
Housing Units by Geography	9,591	0.0	0.0	31.7	68.3	0.0
Owner-Occupied Units by Geography	7,498	0.0	0.0	30.5	69.5	0.0
Occupied Rental Units by Geography	1,431	0.0	0.0	39.8	60.2	0.0
Vacant Units by Geography	662	0.0	0.0	27.8	72.2	0.0
Businesses by Geography	1,079	0.0	0.0	34.1	65.9	0.0
Farms by Geography	243	0.0	0.0	50.6	49.4	0.0
Family Distribution by Income Level	6,682	11.1	14.9	20.3	53.7	0.0
Household Distribution by Income Level	8,929	14.1	13.0	16.3	56.7	0.0
Median Family Income MSA - 40420 Rockford, IL MSA		\$60,048	Median Housing Value			\$149,441
Median Family Income Non-MSAs – IL		\$59,323	Families Below Poverty Level			4.8%

*Source: 2015 ACS Data, 2019 D&B Data, and FFIEC Estimated Medium Family Income; (\*) NA category consists of geographies that have not been assigned an income classification.*

According to the 2019 D&B data, of the 1,079 businesses and 243 farms in the AA, 97.9 percent of farms and 85.9 percent of non-farm businesses generated \$1 million or less in gross annual revenue (GAR). Service industries represent the largest portion of the businesses at 31.5 percent; followed by agricultural (18.4 percent), construction (9.4 percent), and retail trade (8.0 percent). The same data indicates that 72.6 percent of AA businesses have four or fewer employees, and 91.6 percent operate from a single location. In addition, 89.9 percent of businesses and farms own property, indicating that opportunities for commercial and farm lending are available.

A majority of families in the AA are upper-income (53.7 percent) and middle-income (20.3 percent). Low-income and moderate-income families account for 11.1 and 14.9 percent of the families in the AA or 26.0 percent combined. The AA contains 9,591 housing units, of which 78.2 percent are owner-occupied, 14.9 percent are occupied rental units, and 6.9 percent are vacant. These characteristics provide some insight when evaluating GASB’s lending patterns.

The 2019 FFIEC-updated median family income (MFI) level is used to analyze home mortgage loans under the Borrower Profile criterion. The MFI for each category is utilized to identify ranges for each income level. The following table contains information on the MFI by low-, moderate-, middle- and upper-income categories.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Rockford, IL MSA Median Family Income (40420)</b>				
2019 (\$63,600)	<\$31,800	\$31,800 to <\$50,880	\$50,880 to <\$76,320	≥\$76,320
<b>IL NA Median Family Income (99999)</b>				
2019 (\$64,200)	<\$32,100	\$32,100 to <\$51,360	\$51,360 to <\$77,040	≥\$77,040
<i>Source FFIEC</i>				

The unemployment level in each county in the AA decreased during the review period, suggesting an improving economy. The following table illustrates the unemployment rates by county.

<b>Unemployment Rates</b>						
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
<b>Area</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Ogle	7.4	6.1	5.9	5.1	4.9	4.5
Stephenson	7.3	6.6	5.9	4.7	4.6	4.4
Winnebago	8.2	7.0	6.7	6.5	5.5	5.7
Illinois	7.1	6.0	5.8	4.9	4.3	4.0
National Average	6.2	5.3	4.9	4.3	3.9	3.7
<i>Source: Bureau of Labor Statistics.</i>						

## **Competition**

GASB operates in a relatively competitive environment and faces competition from other financial institutions operating within Ogle, Stephenson, and Winnebago Counties. According to the FDIC Deposit Market Share data as of June 30, 2019, 34 financial institutions operated 120 offices inside the counties where the bank’s AA lies. GASB ranked 14<sup>th</sup>, maintaining a 2.6 percent deposit market share.

The top four deposit-taking institutions, primarily composed of large national and regional banks, commanded 33.8 percent of the deposit market share.

Aggregate small farm and small business lending in 2018, the most recent year for which data is available, reflects 20 lenders originated 329 small farm loans totaling \$26.6 million, and 76 lenders originated 4,700 business loans totaling \$186.8 million within the counties in which the bank operates. The top two lenders accounted for 52.9 percent of all reported small farm loans, by number, while the top five lenders accounted for 57.8 percent of all reported small business. GASB's small farm and small business lending is not in the data, as it is not required to collect or report it. Aggregate data has shown local demand for lending.

Aggregate Home Mortgage Disclosure Act (HMDA) lending data for 2019 (the latest market share data available) reflects 622 home mortgage originations and purchases by 93 lenders. GASB ranked 13<sup>th</sup>, with a market share of 2.4 percent by number of loans and 1.1 percent by dollar amount of loans. These performance context factors indicate a relatively high competitive banking market for deposits, small farm, small business, and home mortgage loans within the AA.

### **Community Contacts**

Examiners conducted community contact interviews with an economic development organization and a farm agency to identify and understand the credit needs of the AA. This information helps examiners determine AA area needs and whether local financial institutions are responsive to these needs. The contacts stated that there is a need in the AA for liquid capital for immediate operating purposes, government guaranteed farm loans, and financing of start-up businesses for entrepreneurs.

### **Credit Needs**

Considering the information from the community contacts and demographic data, examiners determined the credit needs of the AA include operating lines of credit to assist farms and business loans to entrepreneurs. The relatively high percentage of farms and businesses with revenues of \$1.0 million or less indicates opportunities exist to support these credit needs.

## **SCOPE OF EVALUATION**

### **General Information**

Examiners used the Interagency Small Institution Examination Procedures to evaluate the CRA performance. The current evaluation assesses lending activity occurring from the previous evaluation date of October 20, 2014, to the current evaluation date of September 14, 2020.

### **Activities Reviewed**

Examiners determined the bank's major product lines are small farm, small business, and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The bank's record of originating small farm loans and small business loans contributed primary weight to overall conclusions due to the larger loan volume when compared to mortgage lending during the evaluation period. In addition, no other loan types, such as consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

GASB originated 226 small farm loans totaling \$24.7 million in 2018, 172 small farms loans totaling \$17.7 million in 2019, 192 small business loans totaling \$16.2 million in 2018, and 154 small business loans totaling \$11.4 million in 2019. Examiners reviewed a statistically valid sample of 55 small farm loans from 2018 and 51 from 2019, totaling \$5.4 and \$6.0 million, respectively. Examiners also reviewed a statistically valid sample of 51 small business loans from each 2018 and 2019, totaling \$2.5 and \$2.7 million, respectively, to assess GASB’s small farm and small business lending performance.

Examiners reviewed all residential mortgage loans extended from January 1, 2018 through December 31, 2019. GASB originated 39 home mortgage loans totaling \$3.6 million in 2018, and 36 home mortgage loans totaling \$2.8 million in 2019. Aggregate data for 2018 and 2015 ACS data provided a standard of comparison for the HMDA-reportable loans. Examiners focused more on the comparison to aggregate data. Aggregate lending data provides a better assessment of demand, as it represents all loans extended by all lenders subject to the data reporting requirements of HMDA.

Examiners did not identify any material inconsistencies between 2018 and 2019 distribution of loans that materially affect conclusions. Therefore, this evaluation presents information in the Borrower Profile analysis for 2019 small farm, small business, and home mortgage lending, the most recent year for which D&B and aggregate data is readily available. Further, while examiners considered both number and dollar volume of small farm, small business, and home mortgage loans, discussion of performance is limited to loans by number, as performance by dollar volume led to similar conclusions.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

GASB demonstrated reasonable performance under the Lending Test. Performance under the Borrower Profile criteria and the net LTD ratio support this conclusion. Please refer to the separate analyses of each performance criteria for more detail of the bank’s performance.

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

GASB net LTD is reasonable (considering seasonal variations and taking into account lending related activities) given the institution’s size, financial condition, and AA credit needs. GASB maintained an average LTD ratio of 79.3 percent over the previous 23 quarters, from December 31, 2014, through June 30, 2020. GASB’s average net LTD ratio is comparable to the average net LTD ratio of four similarly-situated institutions (SSIs) that operate within the AA with a similar loan makeup. The average net LTD ratios of these institutions ranged from 67.1 percent to 85.3 percent.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 06/30/2020 \$(000s)</b>	<b>Average LTD Ratio (%)</b>
<b>German American State Bank</b>	<b>272,062</b>	<b>79.3</b>
Similarly Situated Institution #1	302,429	85.3
Similarly-Situated Institution #2	263,048	75.9
Similarly Situated Institution #3	242,318	80.6
Similarly-Situated Institution #4	115,630	67.1
<i>Source: Reports of Condition and Income 12/31/14 through 06/30/2020.</i>		

## Assessment Area Concentration

GASB originated a majority of small farm, small business, and home mortgage loans within the AA by number, while the majority by dollar volume for small business is outside the AA. The following table provides details on the number and dollar amount of loans inside and outside the AA.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Farm										
2018	38	69.1	17	30.9	55	3,708	68.5	1,709	31.5	5,417
2019	40	78.4	11	21.6	51	4,519	75.3	1,486	24.7	6,005
<b>Subtotal</b>	<b>78</b>	<b>73.6</b>	<b>28</b>	<b>26.4</b>	<b>106</b>	<b>8,227</b>	<b>72.0</b>	<b>3,195</b>	<b>28.0</b>	<b>11,422</b>
Small Business										
2018	29	56.9	22	43.1	51	1,219	48.1	1,315	51.9	2,534
2019	26	51.0	25	49.0	51	945	34.5	1,794	65.5	2,739
<b>Subtotal</b>	<b>55</b>	<b>53.9</b>	<b>47</b>	<b>46.1</b>	<b>102</b>	<b>2,164</b>	<b>41.0</b>	<b>3,109</b>	<b>59.0</b>	<b>5,273</b>
Home Mortgage										
2018	25	64.1	14	35.9	39	1,814	50.4	1,785	49.6	3,599
2019	21	58.3	15	41.7	36	1,367	49.6	1,390	50.4	2,757
<b>Subtotal</b>	<b>46</b>	<b>61.3</b>	<b>29</b>	<b>38.7</b>	<b>75</b>	<b>3,181</b>	<b>50.0</b>	<b>3,175</b>	<b>50.0</b>	<b>6,356</b>
<i>Source: Evaluation Period: 1/1/2018 - 12/31/2019, HMDA Data and Bank Data. Due to rounding, totals may not equal 100.0</i>										

While the bank originated 41.0 percent of its small business loans by dollar volume in the AA, it should be noted that 3.9 percent of businesses in the AA have GARs over \$1 million, which traditionally obtain larger loan amounts. The average small business loans originated outside the AA is \$72,000, compared to \$36,000 in the AA, suggesting large businesses are outside the AA. As previously referenced, 72.6 percent of businesses in the AA have four or fewer employees, and 91.6 percent operated out of a single location. Further 85.2 percent reported GARs below \$500,000. These demographics suggest that businesses in the AA are small and may not seek large loan amounts.

## Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes, and individuals of different income levels, given the demographics of the AA. The bank's small farm, small business, and home mortgage lending performance support this conclusion. Only loans originated in the AA were considered in this analysis.

### ***Small Farm Lending***

The distribution of small farm loans reflects reasonable penetration among farms of different sizes. GASB's small farm loans were evaluated based on lending concentration to farms with GARs of \$1 million or less (demographic) in the AA. The following table reflects the distribution of small farm loans by GAR level.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2019	97.9	35	87.5	3,009	66.6
>1,000,000					
2019	1.6	4	10.0	1,500	33.2
Revenue Not Available					
2019	0.4	1	2.5	10	0.2
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>4,519</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data; 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0</i>					

GASB extended the majority of small farm loans to entities reporting GAR of \$1 million or less, which is slightly below the demographic. A majority of these loans are operating lines of credit, which were identified as a credit need by the aforementioned community contacts. Local farmers have been modifying operating lines of credit to manage expenses and cash flow. Additionally, examiners compared GASB’s small farm lending to three SSIs operating within the AA. GASB’s lending is comparable to the performance of these SSIs, as the SSI’s small farm lending percentage ranged from 86.4 to 95.7 percent. Considering the AA credit needs, farm demographics, and the SSIs’ performance, the bank’s performance demonstrates a reasonable commitment to providing credit to small farms in the AA.

***Small Business Lending***

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. GASB’s small business loan concentrations in the AA were evaluated based on a comparison to the demographic representing businesses with GARs of \$1 million. The following table reflects the distribution of small business loans by GAR level.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000					
2019	85.9	18	69.2	585	61.9
>1,000,000					
2019	3.9	8	30.8	360	38.1
Revenue Not Available					
2019	10.2	0	0.0	0	0.0
<b>Totals</b>					
<b>2019</b>	<b>100.0</b>	<b>26</b>	<b>100.0</b>	<b>945</b>	<b>100.0</b>
<i>Source: 2019 D&amp;B Data; 1/1/2019 - 12/31/2019 Bank Data. Due to rounding, totals may not equal 100.0</i>					

The bank’s performance is lower than the demographic; however, the demographic represents all businesses in the AA, not just those seeking traditional bank financing. GASB originated the majority of the small business loans in amounts of \$65,000 or less. Origination amounts generally correlate to

the size of the business; the smaller dollar loans are presumed to meet the needs of smaller businesses. During the review period, GASB originated 88.2 percent of its loans to businesses in amounts that suggest that smaller businesses benefited from these loans. Considering these factors, GASB's performance is reasonable and illustrates the bank's willingness to originate small business loans to serve the credit needs of small businesses in its AA.

### ***Home Mortgage***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. The following table reflects the distribution of these loans by families' income level (demographic), and aggregate lending data for comparison. The aggregate lending data presents a better comparable as it reflects the demand of borrowers seeking home mortgage financing.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2019	11.1	2.7	2	9.5	93	6.8
Moderate						
2019	14.9	13.5	3	14.3	161	11.8
Middle						
2019	20.3	21.2	4	19.0	288	21.0
Upper						
2019	53.7	49.2	12	57.1	825	60.4
Not Available						
2019	0.0	13.3	0	0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>21</b>	<b>100.0</b>	<b>1,367</b>	<b>100.0</b>

*Source: 2015 ACS Census, 2019 HMDA and Aggregate HMDA Data. Due to rounding, totals may not equal 100.0*

GASB's lending to low- and moderate-income borrowers exceeded aggregate lending while slightly trailing the demographic. Although lending to low- and moderate-income borrowers trailed the demographic; overall, the bank's lending to low- and moderate-income borrowers is reasonable, given the bank's performance in comparison to aggregate data. Further, 4.8 percent of low-income families earn an income below the poverty level, lacking the financial resources to obtain a home mortgage loan and limiting a financial institution's opportunity to lend to these borrowers.

### **Geographic Distribution**

The AA is comprised solely of middle- and upper-income geographies, as such examiners did not conduct an in depth review of the geographic distribution of farm, commercial, and home loans. Nonetheless, the bank originated small farm, small business, and home loans throughout the AA with no conspicuous gaps in lending identified.

### **Other Lending Related Activity**

Given the very recent effects of the COVID-19 pandemic, the SBA created the Paycheck Protection Program (PPP) to support small businesses and allow them to maintain employees and continue paying them during the shelter-in-place orders. This program is directly responsive to AA needs and supports job retention. Because of the very recent implementation of the program, these lending efforts are not in the lending test analysis above. GASB originated 88 PPP loans to businesses in the AA totaling \$2.0 million under this emergency loan program. This activity assists in demonstrating and supporting the bank's commitment to serve the credit needs of the AA.

### **Response to Complaints**

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

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

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Consumer Loan(s):** 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: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**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. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information

from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

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

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

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

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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.

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

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

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

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

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.