

# **PUBLIC DISCLOSURE**

August 1, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Citizens State Bank  
Certificate Number: 10474

102 West Main Street  
Lena, Illinois 61048

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.

Citizens State Bank's (CSB) satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's Lending Test performance.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of small business, small farm, and home mortgage loans are in the institution's AA.
- Overall, the distribution of loans to borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels (including low- and moderate-income).
- The geographic distribution of loans reflect reasonable dispersion throughout the AA.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the overall rating.

## **DESCRIPTION OF INSTITUTION**

### **Background**

CSB is headquartered in Lena, Illinois (population 2,912), which is in the northwestern part of the state. First Lena Corporation, a one-bank holding company, wholly-owns the bank and there are no other affiliates. The main office is located in Stephenson County. CSB operates a full-service branch in Stockton, Illinois (population 1,862), which is located approximately 11 miles west of Lena. Another full-service branch is located in Freeport, Illinois (population 25,638), which is approximately 14 miles southeast of the main office. The Freeport branch is located in Stephenson County and the Stockton branch is located in Jo Daviess County. Effective June 22, 2022, CSB purchased two full-service banking facilities in Jo Daviess County, which are located in Stockton and Elizabeth (population 761). The branch in Elizabeth is located approximately 23 miles west of Lena. All banking locations are located in middle-income census tracts. No branches were closed since the prior evaluation.

CSB received a Satisfactory rating at its previous FDIC Performance Evaluation, dated June 24, 2019, based on Interagency Small Institution Examination Procedures.

### **Operations**

CSB offers a variety of products and services to meet the credit and deposit needs of the local area. Loan types include consumer, both secured and unsecured; residential real estate for home purchase, refinance, home improvement, home equity, and construction; commercial, both operating and real estate; and agricultural, both operating and real estate. CSB sells long-term fixed rate residential real estate loans on the secondary market including U.S. Department of Agriculture (USDA) Rural Development loans. CSB is very active in the secondary market and sold 367 loans totaling over \$45 million in 2020 and 258 loans totaling over \$34 million in 2021. Deposit products include checking, savings, money market accounts, and certificates of deposit. CSB offers internet and mobile banking and operates 12 automated teller machines.

In response to the economic impact on small businesses and farms resulting from the Coronavirus Disease 2019 (COVID-19) pandemic, the Small Business Administration (SBA) created the Paycheck Protection Program (PPP). The PPP is a loan program designed to help small businesses maintain and compensate their workforce during the crisis. CSB originated 101 PPP loans totaling \$2.9 million in 2020 and 327 PPP loans totaling \$5.2 million in 2021. An average loan amount of \$18,888 indicates that the majority of the bank's PPP lending was targeted towards assisting small businesses and farms.

Additionally, the Federal Home Loan Bank (FHLB) provided its member institutions with various grant opportunities to provide funds to community organizations during the COVID-19 pandemic. CSB participated in the FHLB COVID-19 Relief Grant Program and received \$35,000 of grant funds that were provided to seven local organizations. The bank also modified scheduled payments for 56 consumer and commercial loans totaling \$969,636, as a result of COVID-19.

According to the June 30, 2022 Consolidated Reports of Condition and Income (Call Report), CSB had total assets of \$383.4 million, total loans of \$200.6 million, total deposits of 67.2 million, and total securities of \$352.2 million. CSB’s loan portfolio as of June 30, 2022, is shown in the following table.

<b>Loan Portfolio Distribution as of 6/30/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	1,387	0.7
Secured by Farmland	39,462	19.7
Secured by 1-4 Family Residential Properties	34,387	17.1
Secured by Multifamily (5 or more) Residential Properties	471	0.2
Secured by Nonfarm Nonresidential Properties	24,083	12.0
<b>Total Real Estate Loans</b>	<b>99,790</b>	<b>49.7</b>
Commercial and Industrial Loans	27,417	13.7
Agricultural Production and Other Loans to Farmers	58,395	29.1
Consumer Loans	13,252	6.6
Obligations of State and Political Subdivisions in the U.S.	921	0.5
Other Loans	56	0.0
Lease Financing Receivable (net of unearned income)	843	0.4
Less: Unearned Income	-	-
<b>Total Loans</b>	<b>200,674</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. CSB has designated one AA comprised of 19 contiguous census tracts in two counties. Specifically, the AA contains 13 tracts in Stephenson County and six tracts in Jo Daviess County. Both counties are considered part of the nonmetropolitan statistical areas (non-MSA) of Illinois. No changes were made to the AA since the prior evaluation. The AA consists only of whole geographies, includes the tracts where the institution’s main and branch offices are located, does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income areas.

According to the 2015 American Community Survey (ACS) data, the AA is comprised of one low-income tract, three moderate-income tracts, 12 middle-income tracts, and three upper-income census tracts. Two other financial institutions are located in Lena. Numerous financial institutions are located in Freeport as well as throughout, and adjacent to, the AA. The portions of the AA that encompass the bank’s main office and the majority of branches are largely rural in nature with agricultural-related occupations responsible for a large portion of employment. The Freeport

branch is located in the more urban area of the AA due to its location on the southwest side of Freeport, which also contains the largest employers.

**Economic and Demographic Data**

According to 2015 American Community Survey (ACS) data, compiled by the U.S. Census, the composition of the AA by income level of census tracts remains the same from the previous designations. Stephenson County contains one low-income and three-moderate income census tracts. All remaining census tracts are designated as middle- and upper-income tracts. Select demographic characteristics of the AA are illustrated in the following table.

Demographic Information of the Assessment Area						
Demographic Characteristics)	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	5.3	15.8	63.2	15.8	0.0
Population by Geography	69,022	4.7	14.3	66.6	14.4	0.0
Housing Units by Geography	35,535	5.1	12.9	64.8	17.2	0.0
Owner-Occupied Units by Geography	21,173	2.1	10.8	70.3	16.8	0.0
Occupied Rental Units by Geography	7,668	12.5	20.1	59.9	7.4	0.0
Vacant Units by Geography	6,694	5.7	11.5	53.3	29.5	0.0
Businesses by Geography	4,937	9.2	11.8	64.2	14.8	0.0
Farms by Geography	597	0.8	2.5	81.1	15.6	0.0
Family Distribution by Income Level	18,820	19.2	17.3	22.6	40.9	0.0
Household Distribution by Income Level	28,841	23.0	16.1	18.8	42.1	0.0
Median Family Income Non-MSAs - IL		\$59,323	Median Housing Value			\$118,131
			Median Gross Rent			\$682
			Families Below Poverty Level			8.9%

*Source: 2015 ACS and 2021 D&B Data. Due to rounding, totals may not equal 100.0%*  
 (\*) The NA category consists of geographies that have not been assigned an income classification.

The analysis of small farm and small business loans under the borrower profile criterion compares the distribution of farms and businesses by GAR. According to 2021 D&B data, there were 597 farms in the AA with the following GAR levels:

- 97.5 percent have \$1 million or less.
- 2.0 percent have more than \$1 million.
- 0.5 percent have unknown revenues.

According to 2021 D&B data, there were 4,937 businesses in the AA with the following GAR levels:

- 83.2 percent have \$1 million or less.
- 4.7 percent have more than \$1 million.
- 12.1 percent have unknown revenues.

Service industries (34.2 percent) represent the largest portion of businesses in the AA followed by retail trade (13.1 percent); non-classifiable establishments (12.9 percent); agriculture, forestry and fishing (10.8 percent); and finance, insurance and real estate (7.8 percent). In addition, 88.9 percent of AA businesses have nine or fewer employees and 88.3 percent operate from a single location.

In June 2022, according to the Illinois Department of Employment Security, the unemployment rates for the AA were the following: Stephenson County was 4.4 percent and Jo Daviess County was 3.1 percent. The unemployment rates for the two counties were comparable to the state of Illinois, which was at 4.7 percent for the same month. These rates reflect a declining trend from June 2021 when the unemployment rates for Stephenson and Jo Daviess counties were at 5.8 percent and 4.1 percent respectively, while the state of Illinois was at a 7.2 percent unemployment rate.

Examiners use the Federal Financial Institutions Examination Council (FFIEC)-updated median family income (MFI) level to analyze home mortgage lending performance under the Borrower Profile criterion. The following table contains information on the MFIs by category.

<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>IL NA Median Family Income (99999)</b>				
2021 (\$66,700)	<\$33,350	\$33,350 to <\$53,360	\$53,360 to <\$80,040	≥\$80,040
<i>Source: FFIEC</i>				

**Competition**

The AA has a competitive financial services market from larger regional and national banks with branch offices in Freeport, as well as several smaller community banks located in various communities throughout the AA. CSB’s AA fosters a competitive market for deposits. The FDIC Deposit Market Share data as of June 30, 2021, reports 16 financial institutions operating 35 offices in Stephenson and Jo Daviess counties. Of these institutions, CSB ranked fourth with a 10.1 percent deposit market share.

**Community Contact**

As part of the evaluation process, examiners conducted a community contact in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also aids examiners in determining what credit and community development opportunities are available. Examiners

conducted a contact with a representative of a federal government agency that supports area farmers with access to financing.

### **Credit Needs**

The contact stated that the last two to three years have been good for the farm industry. High corn, bean, and beef prices coupled with low interest rates have led to strong balance sheets and profits. As interest rates have risen and prices for farm products has started to decline, there is concern that this trend may not continue. Input costs, such as fertilizer and pesticides, continue to increase, putting pressure on margins. Additionally, due to supply chain issues, there is a lack of, and delays in, obtaining new farming equipment. However, the local farm industry continues to do well overall.

The contact noted that there are a limited number of agriculture lenders in Stephenson and Jo Daviess counties, though the ones in the area are supportive and eager to provide financing. The contact noted that there are numerous opportunities for banks to provide direct financing and partner with the government utilizing USDA farm loan guaranties and USDA subordinate financing.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated June 24, 2019, to the current evaluation dated August 1, 2022. Examiners used Interagency Small Institution Examination Procedures to evaluate CSB's CRA performance. These procedures consist of the Lending Test as outlined in the Appendix.

### **Activities Reviewed**

As of June 30, 2022, CSB's major product lines are agricultural (48.8 percent), commercial (25.7 percent), and residential (17.4 percent) loans. This conclusion is consistent with the bank's current business strategy and the number and dollar volume of loans originated during the current evaluation period. Examiners equally weighted the bank's small business, small farm, and residential lending in the overall rating as these three loan products make up the largest percentage of originations, by number and dollar volume, in the loan portfolio during the evaluation period.

A sample of small farm, small business, and residential loans originated or renewed from January 1, 2021 through December 31, 2021 were reviewed and included in this evaluation. This period was considered representative of the bank's lending performance during the entire evaluation period. The 2021 D&B data provided a standard of comparison for the bank's small farm and small business lending performance. The 2015 ACS data provided a standard of comparison for the bank's home mortgage lending performance.



For the Lending Test, examiners reviewed the number and dollar volume of small farm, small business, and home mortgage loans. While number and dollar volume of loans are presented, examiners placed more weight on the bank’s performance by number of loans, as it is a good indicator of credit responsiveness to individuals, businesses, and farms within the bank’s AA. The following table presents the universe and loans reviewed by loan category.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Sampled Loans</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Business				
2021	605	30,892	64	5,053
Small Farm				
2021	305	40,325	58	6,209
Home Mortgage				
2021	454	50,192	60	6,848
<i>Source: Bank Records from 1/01/21 through 12/31/21.</i>				

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Lending performance was evaluated in accordance with the Interagency Small Institution Examination Procedures. Overall, CSB’s performance under the Lending Test reflects reasonable responsiveness to AA credit needs.

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

The LTD ratio is reasonable given the institution’s size, financial condition, and AA credit needs. The bank’s LTD ratio, calculated from Call Report data, averaged 74.9 percent over the past 12 calendar quarters from June 30, 2019, to March 31, 2022. The ratio ranged from a low of 63.5 percent as of March 31, 2022, to a high of 86.9 percent as of September 30, 2019.

As shown in the following table, CSB’s average net LTD ratio is comparable to the similarly-situated institutions (SSI) in the following table. CSB’s average net LTD is higher than two SSIs but less than two other SSIs used in this comparison. The SSIs were selected based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2022 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
<b>Citizens State Bank</b>	<b>324,640</b>	<b>74.0</b>
Similarly-Situated Institution #1	206,968	59.7
Similarly-Situated Institution #2	308,818	78.4
Similarly-Situated Institution #3	253,941	84.1
Similarly-Situated Institution #4	442,620	65.2
<i>Source: Reports of Condition and Income 6/30/2019 – 3/31/2022</i>		

### **Assessment Area Concentration**

CSB originated a majority of small business, small farm, and home mortgage loans by both number and dollar volume within the AA. The following table provides further details about the number and dollar volume of loans originated 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 Business										
2021	56	87.5	8	12.5	64	4,025	79.7	1,028	20.3	5,053
Small Farm										
2021	48	82.8	10	17.2	58	4,395	70.8	1,814	29.2	6,209
Home Mortgage										
2021	48	80.0	12	20.0	60	5,250	76.7	1,598	23.3	6,848
<i>Sources: Bank Data</i>										

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes and individuals of different income levels. The bank's reasonable performance of small farm, small business, and home mortgage lending supports this conclusion. Borrower income level is determined based on borrowers' income as a percentage of the median family income of the AA. Examiners focused on the percentage by number of loans to farms and businesses with GARs of \$1 million or less, and home mortgage loans to low- and moderate-income borrowers. Only loans inside the assessment area are included in the analyses. Examiners sampled small farm, small business, and mortgage loans inside the AA to evaluate the Borrower Profile criterion.

#### ***Small Farm Loans***

CSB's distribution of small farm loans to farms with revenues of \$1 million or less is reasonable. As shown in the following table, the bank's lending performance to farms with revenues of \$1 million or less compares favorably to the percentage of farms operating in this same revenue category according to D&B data.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000					
2021	97.5	46	95.8	3,752	85.4
>\$1,000,000					
2021	2.0	2	4.2	643	14.6
Revenue Not Available					
2021	0.5	0	0.0	0	0.0
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>	<b>4,395</b>	<b>100.0</b>

Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

### ***Small Business Loans***

CSB’s distribution of small business loans to businesses with revenues of \$1 million or less is reasonable. The following table shows that the bank’s lending performance to businesses with revenues of \$1 million or less is comparable to the percentage of businesses operating in this same revenue category according to D&B data. The following table provides additional information.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	83.2	44	78.6	1,840	45.7
>\$1,000,000					
2021	4.7	12	21.4	2,185	54.3
Revenue Not Available					
2021	12.1	0	0.0	0	0.0
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>4,025</b>	<b>100.0</b>

Source: 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%

### ***Home Mortgage Loans***

CSB’s distribution of home mortgage loans to borrowers of different income levels is reasonable.

As shown in the following table, CSB’s home mortgage lending to low-income borrowers was 6.3 percent for 2021. This level of lending is lower than the 19.2 percent of low-income families residing in the AA. However, a total of 8.9 percent of families in the AA reported incomes below the poverty level. Due to their limited financial resources, families with lower incomes, including those living below the poverty level, generally do not have the capacity to support a home mortgage. The ability to qualify for a home mortgage loan, particularly under conventional

financing would be difficult, thereby limiting the demand and opportunity to lend to these lower income borrowers.

CSB’s origination of home mortgage loans to moderate-income families in 2021 significantly exceeded the percentage of families at this same income level and reflects positively on the bank’s commitment to providing residential financing to these borrowers. The following table provides additional information.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2021	19.2	3	6.3	206	3.9
Moderate					
2021	17.3	16	33.3	1,630	31.0
Middle					
2021	22.6	9	18.8	769	14.6
Upper					
2021	40.9	20	41.7	2,645	50.4
Not Available					
2021	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>	<b>5,250</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### **Geographic Distribution**

Overall, CSB has a reasonable geographic distribution of home mortgage, small farm, and small business loans in census tracts of different income levels.

#### ***Small Farm Loans***

The geographic distribution of small farm loans reflects a reasonable dispersion in the low- and moderate-income census tracts in the AA when performance context is considered.

CSB did not originate any small farm loans to farming operations located within the low- or moderate-income census tracts in the AA. However, these four tracts only contain 3.3 percent of the farming operations in the AA. These tracts are located on the northern and east side of Freeport with the majority of the tract portions located within the Freeport city limits, which would be more likely indicative of hobby farms with limited lending needs. Given the limited opportunities to lend to farming operations in the low- and moderate-income geographies, the bank’s lending performance is considered reasonable. The following table provides additional information.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2021	0.8	0	0.0	0	0.0
Moderate					
2021	2.5	0	0.0	0	0.0
Middle					
2021	81.1	45	93.8	4,232	96.3
Upper					
2021	15.6	3	6.3	163	3.7
Not Available					
2021	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>	<b>4,395</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### ***Small Business Loans***

The geographic distribution of small business loans reflects a reasonable dispersion in the low- and moderate-income census tracts in the AA when performance context is considered.

Unlike farming operations, there are a lot more businesses situated within the LMI tracts. These tracts are located on the northern and east side of Freeport, while the CSB branch is located on the west side of Freeport. Although all other financial institutions are located within, and in closer proximity to, the LMI tracts, CSB did originate loans in the LMI tracts. CSB originated 5.4 percent of small business loans in the one low-income tract, which is below the 9.2 percent of businesses located within the tract. However, two of the competing nine banking institutions in Freeport are located within the low-income tract. CSB also originated 5.4 percent of small business loans in the three moderate-income tracts, which is below the 11.8 percent of businesses located within those tracts. However, five of the nine competing banking institutions in Freeport are located in the moderate-income tracts. Also, it is noted that not all small businesses seek traditional bank financing and have alternative financing available through other funding sources, which further limits lending opportunities. This performance is considered reasonable in light of banking competition, credit needs, and branching distance. The following table provides additional information.

Geographic Distribution of Small Business Loans						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2021	9.2	3	5.4	143	3.6
Moderate						
	2021	11.8	3	5.4	661	16.4
Middle						
	2021	64.2	48	85.7	3,100	77.0
Upper						
	2021	14.8	2	3.5	121	3.0
Not Available						
	2021	0.0	0	0.0	0	0.0
<b>Totals</b>						
	<b>2021</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>4,025</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>						

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects a reasonable dispersion in the low- and moderate-income census tracts in the AA when performance context is considered.

Given the percentages of owner-occupied housing units, there is limited lending opportunities in the low-income tract and moderate lending opportunities in the moderate-income tracts. These tracts are located on the northern and east side of Freeport, while the closest CSB branch is located on the western side of Freeport. Although all other financial institutions are located within, and in closer proximity to, the LMI tracts, CSB did originate loans in the LMI tracts. There are two other financial institutions located in the low-income tract that competes with CSB for home loans. However, CSB originated 2.1 percent of home mortgage loans in the low-income tract, which is comparable to the 2.1 percent of owner-occupied housing units located within the tract.

CSB also originated 2.1 percent of home mortgage loans in the moderate-income tracts, which is below the 10.8 percent of owner-occupied housing units located within these tracts. However, five of the nine competing banking institutions located in Freeport are located in the moderate-income tracts and all other institutions are located in closer proximity to the moderate-income tracts than CSB's branch. While CSB is not required to collect and report HMDA data, a review of the aggregate lending performance by all lenders revealed 4.8 percent of originated loans in 2020 were in the moderate-income tracts. The aggregate lending performance is below the percentage of owner-occupied housing units located in the moderate-income tracts as not all residents have credit needs. Overall, CSB's lending performance in the moderate-income tracts is considered reasonable in light of banking competition, credit needs, and branching distance. The following table provides additional information.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2021	2.1	1	2.1	83	1.6
Moderate					
2021	10.8	1	2.1	24	0.5
Middle					
2021	70.3	40	83.3	4,417	84.1
Upper					
2021	16.8	6	12.5	726	13.8
Not Available					
2021	0.0	0	0.0	0	0.0
<b>Totals</b>					
<b>2021</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>	<b>5,250</b>	<b>100.0</b>
<i>Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### **Response to Complaints**

The bank has not received any CRA-related complaints since the prior CRA evaluation; therefore, this criterion did not affect the overall 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.