

PUBLIC DISCLOSURE

September 11, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Rockford Bank and Trust Company
RSSD# 3303917

4571 Guilford Road
Rockford, Illinois 61107

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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BANK'S CRA RATING

Rockford Bank and Trust Company is rated: **Satisfactory**

The Lending Test is rated: **Satisfactory**

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

Rockford Bank and Trust Company's performance in meeting the needs of its community is satisfactory considering the bank's asset size, location, and the current economic environment of the assessment area. The bank's average loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the credit needs of its assessment area. A majority of the bank's loans were originated inside the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Loan distribution reflects reasonable penetration among individuals of different income levels and among businesses of different sizes. Neither Rockford Bank and Trust Company nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

The bank's community development performance demonstrates excellent responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity, need, and availability of such opportunities within the assessment area.

SCOPE OF EXAMINATION

Rockford Bank and Trust Company's CRA performance was evaluated using the Intermediate Small Bank examination procedures issued by the Federal Financial Institutions Examination Council (FFIEC). The evaluation included a full-scope review of the bank's single assessment area located in the Rockford, Illinois Metropolitan Statistical Area (MSA) #40420, which is comprised of Winnebago and Boone Counties in their entirety.

Loan products reviewed include Home Mortgage Disclosure Act (HMDA)-reportable loans originated in 2015 and 2016 as well as loans to small businesses originated in 2016. These products are considered the bank's primary business lines based on volume by number and dollar amount. The bank's primary focus remains in commercial lending. Since the bank is predominantly a commercial lender, small business loan activity is weighted more heavily than HMDA-reportable loans in the evaluation's lending analysis.

Performance in the assessment area was evaluated using intermediate-small bank examination procedures based on the following performance criteria:

- **Loan-to-Deposit Ratio** – A 16-quarter average loan-to-deposit ratio was calculated for the bank and compared to its national peer and a sample of local competitors.

- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2015 – December 31, 2016 and small business loans originated from January 1, 2016 – December 31, 2016 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 from January 1, 2015 – December 31, 2016 and small business loans originated from January 1, 2016 – December 31, 2016 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 from January 1, 2015 – December 31, 2016 and small business loans originated from January 1, 2016 – December 31, 2016 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*** – Neither Rockford Bank and Trust Company nor this Reserve Bank received any CRA-related complaints since the prior evaluation.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from May 28, 2013 – September 11, 2017 was reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

DESCRIPTION OF INSTITUTION

Rockford Bank and Trust Company, with assets of \$426.2 million as of June 30, 2017 is located in Rockford, Illinois and is a wholly owned subsidiary of QCR Holdings, Inc (QCRH). QCRH, which is headquartered in Moline, Illinois, operates bank charters in Illinois and Iowa.

Rockford Bank and Trust Company delivers its products and services through its main office and one full-service branch, both located in Rockford, Illinois. The bank operates a network of 20 cash only automated teller machines (ATMs) throughout its assessment area, including two located at its office locations. Since the previous performance evaluation, the bank closed the main branch at 127 North Wyman Street and reclassified the branch located at 4571 Guilford Road as Rockford Bank and Trust Company’s main branch. A new branch opened at 308 West State Street, in the same moderate-income census tract as the closed branch (0.1 mile away). These changes occurred on February 6, 2014. In addition, since the previous examination, the bank opened four ATMs; one is located in a moderate-income tract, one in a middle-income tract, and two are located in an upper-income tract. An ATM was also closed in a middle-income tract.

The bank offers a full range of loan products including commercial, home mortgage, agricultural, and consumer loans. The bank also offers a variety of standard deposit products including checking, savings, money market, and certificate of deposit accounts. Rockford Bank and Trust Company is primarily a commercial lender with 73.2 percent of its loan portfolio concentrated in commercial loans as of June 30, 2017; residential real estate lending represents the second largest portion of the bank’s loan portfolio, totaling 18.8 percent. Details of the allocation of the bank’s loan portfolio are provided in the following table.

Loan Portfolio Composition as of June 30, 2017		
Loan Type	Dollar Volume (\$ in 000s)	% of Portfolio
Agricultural	742	0.2
Commercial	246,434	73.2
Consumer	4,042	1.2
Residential Real Estate	63,345	18.8
Other	21,961	6.5
Total	336,534	100.0

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

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 May 28, 2013.

DESCRIPTION OF ASSESSMENT AREA

The bank’s assessment area includes the entire Rockford, Illinois MSA (#40420), which is comprised of Boone and Winnebago Counties in their entirety. The assessment area includes 84 census tracts, with a majority located in Winnebago County (77 tracts). The assessment area includes 10 low-income, 23 moderate-income, 32 middle-income, 18 upper-income, and one unknown-income census tracts. There have been no changes to the bank’s assessment area since the previous examination.

The Federal Insurance Corporation’s (FDIC) Deposit Market Share Report dated June 30, 2016, ranks Rockford Bank and Trust Company eighth among 26 FDIC-insured institutions in Boone and Winnebago Counties. The bank has 5.1 percent market share, compared to the market leader Alpine Bank and Trust Company, which has 18.5 percent of the assessment area’s deposits.

Assessment Area: 2015 Rockford, IL MSA 40420									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	10	11.9	6,057	6.8	2,713	44.8	19,206	21.6	
Moderate-income	23	27.4	18,388	20.7	3,375	18.4	15,530	17.5	
Middle-income	32	38.1	38,590	43.4	2,825	7.3	19,397	21.8	
Upper-income	18	21.4	25,789	29.0	822	3.2	34,691	39.1	
Unknown-income	1	1.2	0	0.0	0	0.0	0	0.0	
Total Assessment Area	84	100.0	88,824	100.0	9,735	11.0	88,824	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	12,757	3,748	4.0	29.4	6,142	48.1	2,867	22.5	
Moderate-income	35,596	18,010	19.2	50.6	12,830	36.0	4,756	13.4	
Middle-income	60,267	42,700	45.6	70.9	12,909	21.4	4,658	7.7	
Upper-income	36,262	29,171	31.2	80.4	4,864	13.4	2,227	6.1	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
Total Assessment Area	144,882	93,629	100.0	64.6	36,745	25.4	14,508	10.0	
	Total Businesses Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-income	836	6.5	719	6.2	110	9.2	7	9.7	
Moderate-income	2,589	20.0	2,287	19.6	285	23.8	17	23.6	
Middle-income	5,893	45.6	5,328	45.7	535	44.6	30	41.7	
Upper-income	3,562	27.6	3,298	28.3	246	20.5	18	25.0	
Unknown-income	47	0.4	23	0.2	24	2.0	0	0.0	
Total Assessment Area	12,927	100.0	11,655	100.0	1,200	100.0	72	100.0	
	Percentage of Total Businesses:			90.2		9.3		0.6	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-income	2	0.5	2	0.5	0	0.0	0	0.0	
Moderate-income	14	3.5	14	3.5	0	0.0	0	0.0	
Middle-income	239	59.6	237	59.5	2	66.7	0	0.0	
Upper-income	146	36.4	145	36.4	1	33.3	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	401	100.0	398	100.0	3	100.0	0	0.0	
	Percentage of Total Businesses:			99.3		0.7		0.0	
2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 ACS									
Note: Percentages may not add to 100.0 percent due to rounding									

Population Characteristics

As presented in the table below, the assessment area’s population increased by 9.1 percent since 2000, according to 2010 U.S. Census Bureau information. The population in Boone County experienced a significant increase from 2000 to 2010 resulting in a 29.6 percent population change. Although Winnebago County only saw a 6.1 percent increase in population, Winnebago is substantially larger making up 84.5 percent of the assessment area. Overall, the assessment area’s growth of 9.1 percent was greater when compared to the growth in the state of Illinois of 3.3 percent. Please note, the bank’s assessment area includes the Rockford, Illinois MSA (#40420) in its entirety, and will be reflected as such in the following tables.

Community representatives indicated that while census data shows an increase in population from 2000 to 2010, population throughout the assessment area is constantly fluctuating. One representative indicated that there is a continuous change in population due to the relocation of local college students after graduation and the relocation of baby boomers who are looking to move south. In addition, representatives attributed the fluctuating population to the state of Illinois’ financial concerns.

Population Change 2000 and 2010			
Area	2000 Population	2010 Population	Percentage Change (%)
Boone County, IL	41,786	54,165	29.6
Winnebago County, IL	278,418	295,266	6.1
Rockford, IL MSA	320,204	349,431	9.1
State of Illinois	12,419,293	12,830,632	3.3
<i>Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Annual Population Estimates</i>			

Income Characteristics

Income levels are provided below and compare median family income throughout the assessment area, counties within the assessment area, and the state of Illinois. Median family income rose higher at the state level compared to the assessment area. The state of Illinois’ median family income increased by 22.8 percent, while the assessment area increased by 15.4 percent. Boone County saw a 17.0 percent increase in median family income while Winnebago saw a 14.0 percent increase.

Median Family Income Change 2000 and 2010			
Area	2000 Median Family Income (\$)	2006-2010 Median Family Income (\$)	Percentage Change (%)
Boone County, IL	59,305	69,380	17.0
Winnebago County, IL	52,456	59,814	14.0
Rockford, IL MSA	53,128	61,291	15.4
State of Illinois	55,545	68,236	22.8
Source: 2000—U.S. Census Bureau: Decennial Census 2010—U.S. Census Bureau: Annual Population Estimates			

Housing Characteristics

Low-income census tracts are home to 6,057 families, representing 6.8 percent of all families in the assessment area and moderate-income census tracts are home to 18,388 families, representing 20.7 percent of all families in the assessment area. There are a total of 144,882 housing units in the assessment area, of which 4.0 percent are located in low-income census tracts, where 29.4 percent are owner-occupied. Of the 144,882 housing units, 19.2 percent are located in moderate-income census tracts, where 50.6 percent are owner-occupied.

Between 2000 and 2010, the median housing and gross rent values in the assessment area have increased to \$134,532 and \$679, respectively. Housing values and gross rent remain lower than the state averages of \$202,500 and \$834. Within the counties in the bank’s assessment area, Boone County represents the highest housing value at \$174,000 and the highest median gross rent at \$719. A community contact mentioned the Rockford area was hit particularly hard by a drop in population, which can be attributed to the median housing and gross rents not keeping pace with the state averages.

A common method to compare relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C – Glossary. A higher ratio supports more affordable housing opportunities. Based on the 2006-2010 American Community Survey data, the affordability ratio for the assessment area is 0.37, compared to the ratio observed in the State of Illinois (0.28). Overall, this data indicates that housing is more affordable within the assessment area, compared to the State of Illinois.

Community representatives indicated that there is a high property tax burden of 15.1 percent throughout Rockford and only slightly lower in Boone County, which has limited the amount of families moving in the direction of homeownership. In addition, representatives stated there is a low inventory of affordable housing in the assessment area, and there is a need for down payment assistance programs for low- and moderate-income families moving into homeownership.

Housing Costs Change 2000 and 2010					
Area	2000 Median Housing Value (\$)	2006-2010 Median Housing Value (\$)	2000 Median Gross Rent (\$)	2006-2010 Median Gross Rent (\$)	2006-2010 Affordability Ratio
Boone County, IL	120,900	174,400	531	719	0.35
Winnebago County, IL	90,900	128,100	514	675	0.37
Rockford, IL MSA	94,280	134,532	515	679	0.37
State of Illinois	127,800	202,500	605	834	0.28

*Source: 2000—U.S. Census Bureau: Decennial Census
 2010—U.S. Census Bureau: Annual Population Estimates*

Foreclosure Trends

The Federal Reserve Bank of Chicago conducted a study on changes in foreclosure inventory rates at the county level. The foreclosure inventory rate measures the number of residential properties in some phase of foreclosure.

Foreclosure inventory rates in the state and assessment area counties have declined since 2011. As of December 2015, the state of Illinois' foreclosure inventory rate was 1.8 percent, which is comparable to both Boone and Winnebago Counties with foreclosure inventory rates of 2.2 percent and 2.3 percent, respectively. Most noteworthy is Boone County's foreclosure inventory rate drop of 6.7 percentage points from 8.9 percent in 2011 to its 2015 level of 2.2 percent.

Foreclosure Inventory Rates (%)					
Area	2011	2012	2013	2014	2015
Boone County, IL	8.9	7.3	4.5	2.6	2.2
Winnebago County, IL	6.8	6.4	4.3	2.8	2.3
State of Illinois	6.3	5.6	3.5	2.2	1.8

Employment Conditions

Unemployment within the assessment area has steadily improved since 2011, which is comparable to the state unemployment rate. Boone County's unemployment rate has improved since 2011 from 13.5 percent to 7.9 percent in 2014. Winnebago County saw comparable results from 2011 unemployment rate of 12.7 percent to 8.3 percent in 2014. Overall, the assessment area's unemployment rate in 2014 of 8.3 percent unemployment is comparable to the state of Illinois' unemployment rate of 7.1 percent.

According to community representatives, unemployment rates have continued to drop to an average of 6.6 percent in 2016. Representatives attribute the decline in unemployment to the booming healthcare industry throughout Winnebago County. Current projects are assisting in job creation throughout the county and will continue as the Mercy Health Medical Center located on Interstate 90 and Riverside Boulevard completes construction in 2019.

Unemployment Rates (%)				
Area	2011	2012	2013	2014
Boone County, IL	13.5	11.6	11.5	7.9
Winnebago County, IL	12.7	11.4	11.6	8.3
Rockford, IL MSA	12.9	11.4	11.6	8.3
State of Illinois	9.8	8.9	9.2	7.1

Industry Characteristics

The following table presents the largest employers operating in the assessment area. The assessment area contains a highly diverse employment base but is most heavily impacted by the industries of automobile manufacturers, healthcare, and aircraft manufacturers.

Community representatives indicated that while some manufacturers are failing, others are expanding and adding new jobs and machinery to the manufacturing industry, where they were previously hesitant to do so.

Largest Employers in the Assessment Area			
Company	Number of Employees	Industry	County
Chrysler Corp. Assembly Plant	4,001	Automobile-Manufacturers	Boone
Rockford Health Physicians	3,600	Physicians & Surgeons	Winnebago
UTC Aerospace Systems	3,000	Aircraft Components-Manufacturers	Winnebago
Swedish American Health System	3,000	Health Services	Winnebago
Rockford Health Physicians	3,000	Clinics	Winnebago
Rockford Memorial Hospital	2,101	Hospitals	Winnebago
Swedish American Hospital	1,931	Hospitals	Winnebago
OSF St. Anthony Medical Center	1,666	Hospitals	Winnebago
Rockford Park District	1,300	Government Offices-US	Winnebago
PCI Pharma Services	1,200	Packaging Service	Winnebago

Community Representatives

Two community representatives, with a focus on affordable housing and economic development, were contacted to increase understanding of the credit needs and market conditions within the assessment area. One representative stated that the overall economy in the assessment area is highly tied to the manufacturing sector. During the recession manufacturers left the assessment area, which contributed to job losses. Leading industries in the assessment area include; automobile manufacturers, healthcare, and aerospace. As noted above, economic conditions are improving now that these sectors are expanding, aiding in job creation throughout the assessment area. A major concern among the representatives was the overall need for affordable housing for low- and moderate-income families. Overall, the representatives noted that financial institutions in the communities are supportive of their initiatives and are willing to assist where it is needed.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

Rockford Bank and Trust Company's performance relative to the lending test is rated Satisfactory. Overall, the bank is meeting the credit needs of its community, based on an analysis of its lending activities. The loan-to-deposit ratio is more than reasonable considering the characteristics of the bank, performance of local competitors, current economic conditions, and the credit needs of its assessment area. A majority of the bank's loans are located in the assessment area. HMDA-reportable and small business loans reflect reasonable geographic distribution throughout the assessment area. Loans also reflect reasonable distribution among individuals of different income levels, and businesses of different sizes.

Note, the bank's geographic and borrower distribution of lending discussed in the lending test conclusions relies upon 2015 aggregate comparisons and demographic data based on the 2010 U.S. Census. Tables containing the bank's 2016 geographic and borrower distribution of loans are provided in Appendix B.

Loan-to-Deposit Ratio

Overall, the bank's LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The table below summarizes the bank's loan-to-deposit (LTD) ratio for the 16 quarters spanning June 30, 2013 to March 31, 2017. The bank's most recent LTD ratio was 100.6 percent, with a 16-quarter average of 105.7 percent. The table compares this data with similar data for local competitors. Overall, the loan-to-deposit ratio is more than reasonable given the bank's 16-quarter average LTD ratio (105.7 percent). When comparing the bank's performance against local competition, Rockford Bank and Trust Company exceeds the performance of all local competitors with the closest competitor at 90.3 percent (Associated Bank).

The bank's LTD ratio has also remained consistent since the previous evaluation when it was 100.8 percent.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	16-Quarter Average
Rockford Bank & Trust Company	105.7
Competitors	
Alpine Bank & Trust Company	63.4
Associated Bank	90.3
Blackhawk Bank	72.3
BMO Harris Bank	74.0
Illinois Bank & Trust	64.7
JP Morgan Chase Bank	49.7
Northwest Bank of Rockford	82.6

Assessment Area Concentration

The following table summarizes the bank's lending inside and outside its assessment area by product. The bank's HMDA-reportable loans include originations from January 1, 2015 – December 31, 2016, and small business loans originations from January 1, 2016 – December 31, 2016. A majority of HMDA-reportable and small business loans are originated in the assessment area. Of the 156 HMDA related loans originated during the evaluation period, 76.9 percent of loans by number and 84.3 percent by dollar were originated within the assessment area. Similarly, of the 42 small business loan originated during the evaluation period, 88.1 percent of loans by number and 81.1 percent by dollar were originated within the assessment area. Overall, 79.3 percent of loans by number and 83.7 percent by dollar volume were originated inside the assessment area. The percentage of HMDA-reportable and small business loan originations within the assessment area indicates the bank is meeting the credit needs of the area.

Assessment Area Concentration								
Loan Type	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	7	100.0	\$206	100.0	0	0.0	\$0	0.0
Home Purchase-Conventional	60	69.8	\$12,542	71.1	26	30.2	\$5,098	28.9
Multi-Family Housing	6	100.0	\$15,892	100.0	0	0.0	\$0	0.0
Refinancing	47	82.5	\$8,243	82.4	10	17.5	\$1,765	17.6
Total HMDA-Reportable	120	76.9	\$36,883	84.3	36	23.1	\$6,863	15.7
Total Small Business Loans	37	88.1	\$9,138	81.1	5	11.9	\$2,126	18.9
Total Loans	157	79.3	\$46,021	83.7	41	20.7	\$8,989	16.3

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

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area. The bank's HMDA-reportable loans (from January 1, 2015 – December 31, 2016) and small business loans (from January 1, 2016 – December 31, 2016) 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.

Overall, the bank's assessment area is comprised of 84 census tracts. The assessment area includes 10 low-income, 23 moderate-income, 32 middle-income, 18 upper-income, and 1 unknown-income census tract.

HMDA-Reportable Lending

The table below indicates a reasonable geographic distribution of loans in the bank's assessment area when compared to aggregate lenders and owner-occupied units in 2015. Please see Appendix B for 2016 tables. Due to low loan volume, home improvement and multi-family loans will not be discussed as they did not impact the analysis.

Home Purchase Loans

Home purchase loans represent 53.7 percent of the bank's total HMDA-reportable loans in 2015. Rockford Bank and Trust Company originated 3.4 percent of its home purchase loans in low-income census tracts. The bank's performance exceeded the aggregate lender rate of 1.8 percent and was comparable to the 4.0 percent of the assessment area's owner-occupied units located in low-income census tracts. The bank originated 20.7 percent of its home purchase loans in 2015 in moderate-income census tracts. The bank's performance was above the aggregate lender rate of 14.6 percent and comparable to the 19.2 percent of owner-occupied units located in moderate-income census tracts.

In 2016, home purchase loans represent 47.0 percent of the bank's total HMDA-reportable loans. Rockford Bank and Trust Company originated 3.2 percent of its home purchase loans in low-income census tracts. The bank's performance was comparable to the 4.0 percent of owner-occupied units. Within moderate-income census tracts, the bank's home purchase lending is higher, totaling 25.8 percent of its total home purchase loans. The bank's performance exceeded the 19.2 percent of owner-occupied units located in moderate-income tracts. Overall, the bank's performance in 2015 was comparable to 2016.

Refinance Loans

Refinance loans represent 33.3 percent of the bank's total HMDA-reportable loans in 2015. Rockford Bank and Trust Company made no refinance loans in low-income census tracts. Despite,

the lack of activity, the bank's performance was reasonable when compared to the 1.2 percent made by the aggregate and the 4.0 percent of owner-occupied units located in low-income census tracts. Within moderate-income census tracts, the bank originated 16.7 percent of its refinance loans. The bank's performance exceeded the 12.9 percent made by the aggregate of lenders, and was slightly below the 19.2 percent of the assessment area's owner-occupied units.

Overall, the bank's performance in 2015 was comparable to 2016. In 2016, refinance loans represent 44.0 percent of the bank's total HMDA-reportable loans. Within low-income census tracts, Rockford Bank and Trust Company did not originate any refinance loans; however, only 4.0 percent of owner-occupied units are located within these tracts. Within moderate-income census tracts, the bank originated 20.7 percent of its refinance loans. The bank's performance was comparable to the 19.2 percent of owner-occupied units.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2015 Rockford, IL MSA 40420								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		2015			Dollar			
		Count		Agg	Bank			Agg
#	%	%	\$ (000s)	\$ %	\$ %			
Home Purchase	Low	1	3.4	1.8	738	8.5	1.0	4.0
	Moderate	6	20.7	14.6	667	7.7	9.0	19.2
	Middle	12	41.4	48.1	5,561	64.3	45.2	45.6
	Upper	10	34.5	35.5	1,681	19.4	44.7	31.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	29	100.0	100.0	8,647	100.0	100.0	100.0
Refinance	Low	0	0.0	1.2	0	0.0	0.5	4.0
	Moderate	3	16.7	12.9	560	13.2	8.0	19.2
	Middle	8	44.4	47.5	2,035	47.8	45.0	45.6
	Upper	7	38.9	38.5	1,659	39.0	46.6	31.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	18	100.0	100.0	4,254	100.0	100.0	100.0
Home Improvement	Low	1	20.0	2.3	13	9.6	2.8	4.0
	Moderate	0	0.0	16.9	0	0.0	14.6	19.2
	Middle	1	20.0	49.8	10	7.4	45.5	45.6
	Upper	3	60.0	31.1	113	83.1	37.1	31.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	5	100.0	100.0	136	100.0	100.0	100.0
Multi-Family	Low	0	0.0	6.7	0	0.0	6.5	12.7
	Moderate	1	50.0	26.7	576	47.4	19.3	38.5
	Middle	1	50.0	55.6	640	52.6	59.3	36.4
	Upper	0	0.0	11.1	0	0.0	14.9	12.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	2	100.0	100.0	1,216	100.0	100.0	100.0
HMDA Totals	Low	2	3.7	1.6	751	5.3	1.1	4.0
	Moderate	10	18.5	14.2	1,803	12.6	9.1	19.2
	Middle	22	40.7	48.0	8,246	57.9	45.8	45.6
	Upper	20	37.0	36.2	3,453	24.2	44.0	31.2
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	54	100.0	100.0	14,253	100.0	100.0	100.0
Originations & Purchases								
2015 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank originated 2.7 percent of its loans to small businesses located in low-income census tracts of the assessment area. The bank’s performance is comparable to the total businesses in low-income tracts at 6.6 percent. Within moderate-income census tracts, the bank originated 8.1 percent of its small business loans. The bank’s performance was below the 20.3 percent of small businesses located in moderate-income census tracts. While the bank’s performance was below the percent of small businesses located in moderate-income census tracts, a community representative noted that small businesses are leaving the Rockford area based on the financial instability of the state to take their businesses over the border into Wisconsin which has impacted all income-level census tracts. This indicates limited opportunities for lending to small businesses. The following table shows the bank’s geographic distribution of small business loans from January 1, 2016 through December 31, 2016.

Geographic Distribution of Small Business Loans						
Assessment Area: 2016 Rockford, IL MSA 40420						
	Tract Income Levels	Bank & Demographic Comparison				
				2016		Total Businesses
		Count Bank		Dollar Bank		
		#	%	\$ 000s	\$ %	%
Small Business	Low	1	2.7	350	3.8	6.6
	Moderate	3	8.1	342	3.7	20.3
	Middle	11	29.7	4,263	46.7	45.2
	Upper	22	59.5	4,183	45.8	27.5
	Unknown	0	0.0	0	0.0	0.4
	Total	37	100.0	9,138	100.0	100.0

2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 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

Overall, loan distribution of home mortgage and small business loans reflects reasonable penetration among borrowers of different income levels, including low- and moderate-income individuals, and businesses of different sizes. The bank’s HMDA-reportable loans (from January 1, 2015 – December 31, 2016) and small business loans (from January 1, 2016 – December 31, 2016) 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. Since the bank is predominantly a commercial lender, small business loan activity is

weighted more heavily than HMDA-reportable loans in the evaluation's lending analysis.

HMDA-Reportable Lending

The bank's distribution of HMDA-reportable loans reflects poor penetration among individuals of different income levels. Please see Appendix B for 2016 tables. Due to low loan volume in the assessment area, home improvement and multi-family loans will not be discussed as they did not impact the analysis.

Home Purchase Loans

In 2015, the bank made 3.4 percent of its home purchase loans to low-income borrowers, which was below the 10.6 percent made by the aggregate lenders and significantly below the 21.6 percent of low-income families located in the assessment area. Among moderate-income borrowers, the bank made 6.9 percent of its refinance loans in 2015, which was significantly below both the aggregate lenders' percentage and the moderate-income families located in the assessment area, 23.4 percent and 17.5 percent, respectively. Community representatives noted there is a lack of affordable housing for low- and moderate-income families in the Rockford area which impacts the bank's ability to lend to low- and moderate-income families.

In 2016, the bank made no loans to low-income borrowers for home purchase loans, which was significantly below the 21.6 percent of low-income families in the assessment area. The bank made 6.5 percent of its home purchase loans to moderate-income borrowers, which is also significantly below the 17.5 percent of moderate-income families in the assessment area. Overall, the bank's performance in 2015 is consistent with 2016.

Refinance

In 2015, the bank made 5.6 percent of its refinance loans to low-income borrowers, which was slightly below the 7.7 percent made by the aggregate lenders, and significantly below the 21.6 percent of low-income families located in the assessment area. Among moderate-income borrowers, the bank made 5.6 percent of its refinance loans, which was significantly below both the aggregate lenders' percentage and the moderate-income families located in the assessment area, 15.9 percent and 17.5 percent, respectively.

In 2016, the bank made 3.4 percent of its refinance loans to low-income borrowers, which was a decrease in lending from 2015 and significantly below the 21.6 percent of low-income families located in the assessment area. The bank also made 3.4 percent of its refinance loans to moderate-income borrowers, which was a decrease in lending from 2015 and significantly below the 17.5 percent of moderate-income families located in the assessment area.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2015 Rockford, IL MSA 40420								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		Count		Dollar		2015		
		Bank #	Bank %	Agg %	Bank \$ (000s)	Bank \$ %	Agg \$ %	
Home Purchase	Low	1	3.4	10.6	106	1.2	6.0	21.6
	Moderate	2	6.9	23.4	229	2.6	18.8	17.5
	Middle	3	10.3	18.7	407	4.7	19.9	21.8
	Upper	15	51.7	25.4	2,770	32.0	35.0	39.1
	Unknown	8	27.6	21.9	5,135	59.4	20.3	0.0
	Total	29	100.0	100.0	8,647	100.0	100.0	100.0
Refinance	Low	1	5.6	7.7	10	0.2	4.5	21.6
	Moderate	1	5.6	15.9	136	3.2	11.1	17.5
	Middle	0	0.0	21.0	0	0.0	17.7	21.8
	Upper	10	55.6	34.7	2,469	58.0	42.4	39.1
	Unknown	6	33.3	20.7	1,639	38.5	24.3	0.0
	Total	18	100.0	100.0	4,254	100.0	100.0	100.0
Home Improvement	Low	0	0.0	8.0	0	0.0	6.3	21.6
	Moderate	0	0.0	21.4	0	0.0	14.0	17.5
	Middle	2	40.0	25.5	23	16.9	21.7	21.8
	Upper	3	60.0	38.9	113	83.1	46.5	39.1
	Unknown	0	0.0	6.2	0	0.0	11.6	0.0
	Total	5	100.0	100.0	136	100.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	21.6
	Moderate	0	0.0	0.0	0	0.0	0.0	17.5
	Middle	0	0.0	0.0	0	0.0	0.0	21.8
	Upper	0	0.0	0.0	0	0.0	0.0	39.1
	Unknown	2	100.0	100.0	1,216	100.0	100.0	0.0
	Total	2	100.0	100.0	1,216	100.0	100.0	100.0
HMDA Totals	Low	2	3.7	9.3	116	0.8	5.1	21.6
	Moderate	3	5.6	20.3	365	2.6	14.8	17.5
	Middle	5	9.3	19.9	430	3.0	18.2	21.8
	Upper	28	51.9	29.6	5,352	37.5	36.6	39.1
	Unknown	16	29.6	20.9	7,990	56.1	25.3	0.0
	Total	54	100.0	100.0	14,253	100.0	100.0	100.0
Originations & Purchases								
2015 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Small Business Lending

The table below indicates a reasonable distribution of small business lending by revenue and loan size when compared to the aggregate lenders throughout the assessment area. In 2016, the bank made 81.1 percent of its small business loans to businesses reporting annual revenues of \$1 million or less, which is comparable to the 88.0 percent of total small businesses in the assessment area. Further, the bank made 50.0 percent of loans to those borrowers in amounts of \$100,000 or less, which are considered most beneficial to small businesses. The table below presents the distribution of small business loans in the assessment area in 2016.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2016 Rockford, IL MSA 40420							
Product Type		Bank & Demographic Comparison					
		2016		2016		Total Businesses %	
		Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	30	81.1	6,206	67.9	88.0
		Over \$1 Million or Unknown	7	18.9	2,932	32.1	12.0
		Total	37	100.0	9,138	100.0	100.0
	Loan Size	\$100,000 or Less	15	40.5	863	9.4	
		\$100,001 - \$250,000	8	21.6	1,460	16.0	
		\$250,001 - \$1 Million	14	37.8	6,815	74.6	
		Total	37	100.0	9,138	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	15	50.0	863	13.9	
		\$100,001 - \$250,000	5	16.7	820	13.2	
		\$250,001 - \$1 Million	10	33.3	4,523	72.9	
		Total	30	100.0	6,206	100.0	
	Originations & Purchases						
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 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

Rockford Bank and Trust Company's performance relative to the community development test is rated Outstanding. The bank demonstrates excellent responsiveness to community development needs by providing community development loans, qualified investments, and services, considering the bank's capacity and opportunities in the assessment area.

Lending

Rockford Bank and Trust Company's community development lending reflects excellent responsiveness to community development needs. The table below represents the community development lending activity by qualified loan purpose. The bank made 25 community development loans during the evaluation period, for a total of \$46.4 million. This is an increase by dollar amount from the prior evaluation of \$32.7 million. The bank's community development loan portfolio for the assessment area is primarily concentrated on revitalization and stabilization and economic development.

Qualified Community Development Loans Originated between May 28, 2013 – September 11, 2017			
	#	\$ (000)	% of Total
Revitalization and Stabilization	15	29,184	62.9
Economic Development	7	10,774	23.2
Community Service	2	4,420	9.5
Affordable Housing	1	2,040	4.4
Total	25	46,418	100.0

Investments

While the bank did not invest in community development purposes since the previous evaluation, the bank donated an excellent amount of qualified community development donations to 28 unique organizations in the evaluation period in an amount totaling \$135,015. This represented an increase in the dollar amount of donations at the prior evaluation of \$72,538. The bank's donations focus on community service, affordable housing, revitalization and stabilization, and economic development.

Services

Rockford Bank and Trust Company provides an excellent level of community development services considering its asset size and the number of full-time staff employed. Bank staff provided over 2,600 hours of community development services since the previous evaluation. This was an increase in hours from the previous evaluation where the bank had 1,000 hours. A majority of bank personnel is involved with financial literacy programs, non-profit organizations, and local economic development corporations. Bank employees serve in the capacity of financial experts,

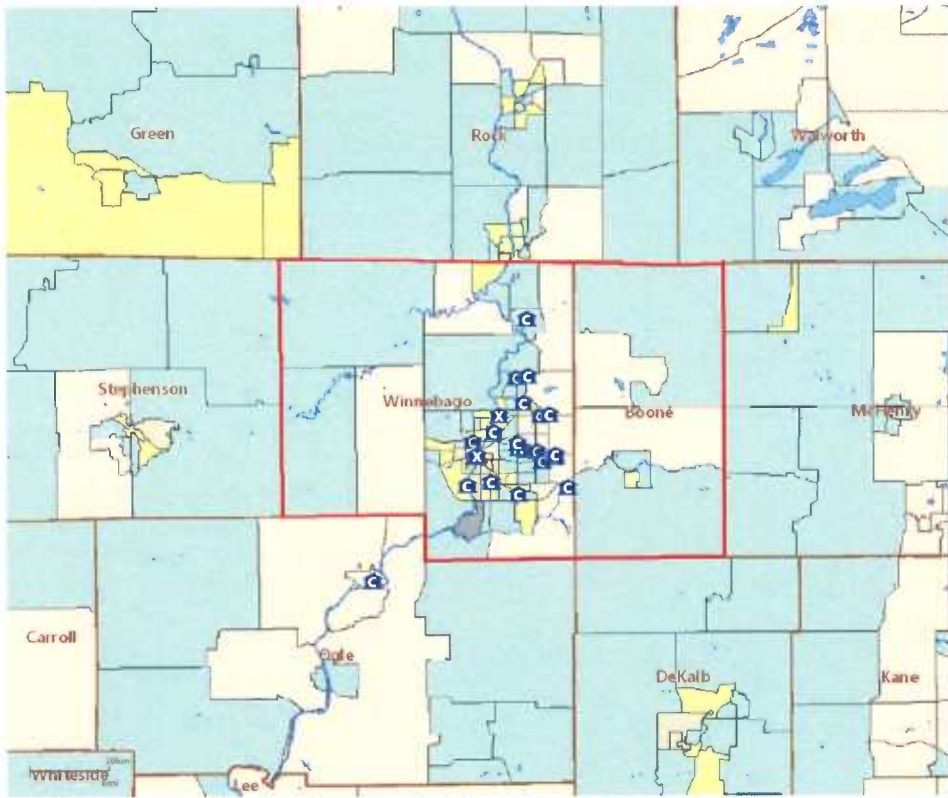
board, and planning committee members of organizations. The bank's services focused on serving the area's needs, including those of low- to moderate-income individuals and small businesses.

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

Rockford Bank and Trust 3303917
2016 Rockford, IL MSA 40420



LEGEND
2010 Census Year

INCOME

- Low
- Moderate
- Middle
- Upper
- Unknown

AA Boundary

LOANS: by Type
Inside and Outside AA - 120

- LV - 43
- HE - 2
- MI - 4
- RF - 33
- SB - 42

BANK BRANCHES
Inside and Outside AA

- Branches with ATM - 1
- Cash Only ATM - 19
- Closed - 2
- Main Office with ATM - 1

FEATURES

- Water Body

APPENDIX B – 2016 Demographic and Lending Data

Assessment Area: 2016 Rockford, IL MSA 40420								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	10	11.9	6,057	6.8	2,713	44.8	19,206	21.6
Moderate-income	23	27.4	18,388	20.7	3,375	18.4	15,530	17.5
Middle-income	32	38.1	38,590	43.4	2,825	7.3	19,397	21.8
Upper-income	18	21.4	25,789	29.0	822	3.2	34,691	39.1
Unknown-income	1	1.2	0	0.0	0	0.0	0	0.0
Total Assessment Area	84	100.0	88,824	100.0	9,735	11.0	88,824	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	12,757	3,748	4.0	29.4	6,142	48.1	2,867	22.5
Moderate-income	35,596	18,010	19.2	50.6	12,830	36.0	4,756	13.4
Middle-income	60,267	42,700	45.6	70.9	12,909	21.4	4,658	7.7
Upper-income	36,262	29,171	31.2	80.4	4,864	13.4	2,227	6.1
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	144,882	93,629	100.0	64.6	36,745	25.4	14,508	10.0
	Total Businesses Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	752	6.6	630	6.3	113	8.8	9	9.4
Moderate-income	2,321	20.3	1,986	19.8	315	24.6	20	20.8
Middle-income	5,165	45.2	4,556	45.4	563	44.1	46	47.9
Upper-income	3,137	27.5	2,855	28.4	261	20.4	21	21.9
Unknown-income	44	0.4	18	0.2	26	2.0	0	0.0
Total Assessment Area	11,419	100.0	10,045	100.0	1,278	100.0	96	100.0
	Percentage of Total Businesses:			88.0		11.2		0.8
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	
Low-income	2	0.6	2	0.6	0	0.0	0	0.0
Moderate-income	13	3.8	13	3.9	0	0.0	0	0.0
Middle-income	200	59.2	196	58.9	4	80.0	0	0.0
Upper-income	123	36.4	122	36.6	1	20.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	338	100.0	333	100.0	5	100.0	0	0.0
	Percentage of Total Businesses:			98.5		1.5		0.0
2016 FFIEC Census Data & 2016 Dun & Bradstreet information according to 2010 ACS								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

Geographic Distribution of HMDA Reportable Loans						
Assessment Area: 2016 Rockford, IL MSA 40420						
Product Type	Tract Income Levels	Bank & Demographic Comparison				Owner Occupied % of Units
		2016				
		Count Bank		Dollar Bank		
		#	%	\$ (000s)	\$ %	
Home Purchase	Low	1	3.2	25	0.6	4.0
	Moderate	8	25.8	1,009	25.9	19.2
	Middle	11	35.5	945	24.3	45.6
	Upper	11	35.5	1,916	49.2	31.2
	Unknown	0	0.0	0	0.0	0.0
	Total		31	100.0	3,895	100.0
Refinance	Low	0	0.0	0	0.0	4.0
	Moderate	6	20.7	575	14.4	19.2
	Middle	8	27.6	871	21.8	45.6
	Upper	15	51.7	2,543	63.8	31.2
	Unknown	0	0.0	0	0.0	0.0
	Total		29	100.0	3,989	100.0
Home Improvement	Low	1	50.0	20	28.6	4.0
	Moderate	0	0.0	0	0.0	19.2
	Middle	1	50.0	50	71.4	45.6
	Upper	0	0.0	0	0.0	31.2
	Unknown	0	0.0	0	0.0	0.0
	Total		2	100.0	70	100.0
Multi-Family	Low	0	0.0	0	0.0	12.7
	Moderate	1	25.0	2,040	13.9	38.5
	Middle	2	50.0	5,420	36.9	36.4
	Upper	1	25.0	7,216	49.2	12.5
	Unknown	0	0.0	0	0.0	0.0
	Total		4	100.0	14,676	100.0
HMDA Totals	Low	2	3.0	45	0.2	4.0
	Moderate	15	22.7	3,624	16.0	19.2
	Middle	22	33.3	7,286	32.2	45.6
	Upper	27	40.9	11,675	51.6	31.2
	Unknown	0	0.0	0	0.0	0.0
	Total		66	100.0	22,630	100.0
Originations & Purchases						
2016 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Borrower Distribution of HMDA Reportable Loans						
Assessment Area: 2016 Rockford, IL MSA 40420						
Product Type	Borrower Income Levels	Bank & Demographic Comparison				Families by Family Income %
		2016		Dollar		
		Count				
		#	%	\$ (000s)	\$ %	
Home Purchase	Low	0	0.0	0	0.0	21.6
	Moderate	2	6.5	113	2.9	17.5
	Middle	2	6.5	174	4.5	21.8
	Upper	20	64.5	2,716	69.7	39.1
	Unknown	7	22.6	892	22.9	0.0
	Total		31	100.0	3,895	100.0
Refinance	Low	1	3.4	11	0.3	21.6
	Moderate	1	3.4	40	1.0	17.5
	Middle	5	17.2	564	14.1	21.8
	Upper	16	55.2	2,909	72.9	39.1
	Unknown	6	20.7	465	11.7	0.0
	Total		29	100.0	3,989	100.0
Home Improvement	Low	0	0.0	0	0.0	21.6
	Moderate	0	0.0	0	0.0	17.5
	Middle	1	50.0	20	28.6	21.8
	Upper	1	50.0	50	71.4	39.1
	Unknown	0	0.0	0	0.0	0.0
	Total		2	100.0	70	100.0
Multi-Family	Low	0	0.0	0	0.0	21.6
	Moderate	0	0.0	0	0.0	17.5
	Middle	0	0.0	0	0.0	21.8
	Upper	0	0.0	0	0.0	39.1
	Unknown	4	100.0	14,676	100.0	0.0
	Total		4	100.0	14,676	100.0
HMDA Totals	Low	1	1.5	11	0.0	21.6
	Moderate	3	4.5	153	0.7	17.5
	Middle	8	12.1	758	3.3	21.8
	Upper	37	56.1	5,675	25.1	39.1
	Unknown	17	25.8	16,033	70.8	0.0
	Total		66	100.0	22,630	100.0
Originations and Purchases						
2016 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

APPENDIX C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Lending Test <ul style="list-style-type: none"> HMDA-reportable loans originated from January 1, 2015 – December 31, 2016 Small Business loans originated from January 1, 2016 – December 31, 2016 Community Development Test <ul style="list-style-type: none"> May 28, 2013 – September 11, 2017 		
FINANCIAL INSTITUTION Rockford Bank and Trust Company			PRODUCTS REVIEWED HMDA-Reportable loans Small Business loans
AFFILIATE(S) None	AFFILIATE RELATIONSHIP N/A	N/A	PRODUCTS REVIEWED N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
MSA 40420 Rockford, Illinois	Full scope	None	N/A

APPENDIX D – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

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 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.
5. Loans, investments, and services that –

- i. Support, enable or facilitate projects or activities that meet the “eligible uses” criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- ii. Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees, and
- iii. Benefit low-, moderate-, middle-income individuals and geographies in the bank’s assessment area(s) or areas outside the bank’s assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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, home equity, other consumer secured loan, and other consumer unsecured loan.

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: Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more units) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

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

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.

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 product office (LPO): 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.

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

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 \$1.226 billion. Intermediate small bank means a small bank with assets of at least \$307 million as of December 31 of both of the prior two calendar years and less

than \$1.226 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).