

PUBLIC DISCLOSURE

November 18, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

West Michigan Community Bank
RSSD# 715340

5367 School Avenue
Hudsonville, Michigan 49426

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

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

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INSTITUTION'S CRA RATING

West Michigan Community Bank is rated:	Satisfactory
The Lending Test is rated:	Satisfactory
The Community Development Test is rated:	Outstanding

West Michigan Community Bank (WMCB) is meeting the credit needs of its community based on an analysis of its lending, community development activities and local economic conditions. The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. A majority of the bank's loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion of HMDA-reportable and small business loans throughout the assessment area. Lending performance demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes. Lastly, the bank's community development performance demonstrates excellent responsiveness to community development needs through community development loans, qualified investments, and community development services, considering the bank's capacity, and the need and availability of such opportunities in the bank's assessment area.

There were no CRA-related complaints received by the institution or this Reserve Bank since the previous evaluation.

SCOPE OF EXAMINATION

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

The evaluation included a full scope review of the bank's single assessment area located in the Grand Rapids-Kentwood, Michigan (MI) Metropolitan Statistical Area (MSA) #24340. The assessment area includes Kent and Ottawa Counties in their entirety, as well as two census tracts in adjacent Allegan County. The Lending Test evaluation includes a sample of small business loans originated from January 1, 2023, through December 31, 2023, and HMDA-reportable loans originated from January 1, 2022, through December 31, 2023. These products are considered the bank's primary business lines based on volume by number and dollar amount. Additionally, examiners reviewed qualified community development loans, investments, donations, and services from July 27, 2021, through November 18, 2024.

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

- ***Loan-to-Deposit Ratio*** – A 12 quarter average loan-to-deposit ratio ending June 30, 2024, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans originated from January 1, 2022, through December 31, 2023, and small business loans originated from January 1, 2023, through December 31, 2023, 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, 2022, through December 31, 2023, and small business loans originated from January 1, 2023, through December 31, 2023, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank’s HMDA-reportable loans originated in the assessment area from January 1, 2022, through December 31, 2023, and small business loans originated within the assessment area from January 1, 2023, through December 31, 2023, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from July 27, 2021, through November 18, 2024, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

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

DESCRIPTION OF INSTITUTION

WMCB is a subsidiary of NorthStar Financial Group Inc., a three-bank holding company located in Bad Axe, Michigan. The bank's main office is located in Hudsonville, Michigan, approximately 13 miles from Grand Rapids, Michigan. In addition, the bank maintains seven full-service branch offices with full-service automated teller machines (ATMs) in the Michigan cities of Grand Rapids, Holland, Hudsonville, Jenison, and Zeeland. Since the previous evaluation, the bank closed an ATM at Holland Hospital. Additionally, one branch location moved approximately half a mile, remaining in the city of Grand Rapids and a new ATM opened May 16, 2022, in Grand Rapids, MI.

As of the June 30, 2024, Uniform Banking Performance Report (UBPR), the bank reported total assets of approximately \$1.0 billion. WMCB offers a variety of traditional lending products including agricultural, commercial, residential real estate (in-house and secondary market), and consumer open- and closed-end loans. The bank is primarily a commercial lender as this category represents approximately 78.1 percent of the gross loan portfolio. In addition to its lending activities, the bank offers standard, non-complex deposit products including checking, savings, money market deposit, certificates of deposit, and individual retirement accounts to meet the personal and business banking needs of the community. Online and mobile banking applications are also offered by the bank. The bank's website is located at www.wmcb.com. Detail of the bank's loan portfolio is provided in the following table.

Composition of Loan Portfolio as of June 30, 2024 (000's)		
Type	\$	%
Residential Real Estate	\$109,462	12.6
Commercial	\$679,635	78.1
Agriculture	\$53,633	6.2
Consumer	\$27,445	3.2
Other	\$26	0
Total	\$870,201	100.1
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The June 30, 2024, FDIC Deposit Market Share Report ranked WMCB ninth out of 25 FDIC-insured depository institutions operating in the assessment area. During this time, the bank held approximately \$865.5 million in deposits, representing 2.9 percent of the total deposit market share in the assessment area. Fifth Third Bank ranked first with total deposits of approximately \$5.8 billion at 19.6 percent of the market share, followed by The Huntington National Bank with 19.5 percent. The 25 FDIC-insured financial institutions operating in the assessment area maintained a total of 232 branch offices, eight of which belonged to WMCB.

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 July 26, 2021.

DESCRIPTION OF ASSESSMENT AREA

WMCB delineates one intrastate assessment area, which comprises a portion of the Grand Rapids-Kentwood, MI MSA #24340 and includes Kent and Ottawa Counties in their entirety, as well as two of 25 census tracts (322.00 and 324.01) in adjacent Allegan County. The city of Holland is shared by Ottawa and Allegan Counties. Excluded from the bank's Grand Rapids-Kentwood, MI MSA AA are Ionia and Montcalm Counties, which are part of the Grand Rapids-Kentwood, MI MSA #24340. WMCB has not changed the delineation of the assessment area since the 2021 performance evaluation, though the 2020 American Community Survey (effective in 2022) changed the assessment area's composition by splitting census tracts. The number of total census tracts increased from 184 to 212, with the number of low- or moderate-income census tracts increasing from 46 to 49, along with the number of majority-minority census tracts increasing from 14 to 15. The counties' delineation, however, remains the same.

The previous performance evaluation's tract income levels were based on 2011 – 2015 American Community Survey (ACS) income data, while the current evaluation's tract income levels are based on 2016 – 2020 ACS income data. As shown in the following table, the net result of these changes was an increase in the number of moderate-, middle-, upper-, and unknown-income census tracts, and a decrease of low-income census tracts. The unknown census tracts include census tracts primarily made up of schools/academies, parks, and bodies of water, resulting in their unknown designation.

Census Tract Designation Changes American Community Survey Data (ACS) ¹			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	12	11	-1
Moderate	34	38	+4
Middle	91	106	+15
Upper	46	53	+7
Unknown	1	4	+3
Total	184	212	+28
Source: U. S. Census Bureau: American Community Survey Data: 2011-2015 and 2016-2020			

Demographic information about the bank's assessment area is provided in the following chart, followed by a summary of key economic characteristics of the assessment area.

¹ The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

2023 Grand Rapids-Kentwood, MI MSA 24340 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	11	5.2	7,745	3.2	1,899	24.5	43,015	18.0
Moderate	38	17.9	35,778	14.9	4,831	13.5	42,902	17.9
Middle	106	50.0	116,071	48.4	6,435	5.5	55,728	23.3
Upper	53	25.0	76,884	32.1	1,435	1.9	97,990	40.9
Unknown	4	1.9	3,157	1.3	320	10.1	0	0.0
Total AA	212	100.0	239,635	100.0	14,920	6.2	239,635	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	14,123	4,702	1.8	33.3	8,410	59.5	1,011	7.2
Moderate	63,324	33,249	13.0	52.5	25,855	40.8	4,220	6.7
Middle	185,452	127,823	49.9	68.9	48,732	26.3	8,897	4.8
Upper	102,929	87,435	34.1	84.9	11,436	11.1	4,058	3.9
Unknown	4,768	2,919	1.1	61.2	1,456	30.5	393	8.2
Total AA	370,596	256,128	100.0	69.1	95,889	25.9	18,579	5.0
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	955	2.4	855	2.4	98	2.4	2	0.6
Moderate	6,870	17.3	5,860	16.6	967	23.6	43	13.8
Middle	18,677	47.0	16,637	47.1	1,897	46.4	143	46.0
Upper	12,916	32.5	11,692	33.1	1,105	27.0	119	38.3
Unknown	320	0.8	293	0.8	23	0.6	4	1.3
Total AA	39,738	100.0	35,337	100.0	4,090	100.0	311	100.0
Percentage of Total Businesses:				88.9		10.3		0.8
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	7	0.9	7	0.9	0	0.0	0	0.0
Moderate	55	6.9	48	6.5	7	11.5	0	0.0
Middle	442	55.4	405	55.0	37	60.7	0	0.0
Upper	289	36.2	272	36.9	17	27.9	0	0.0
Unknown	5	0.6	5	0.7	0	0.0	0	0.0
Total AA	798	100.0	737	100.0	61	100.0	0	0.0
Percentage of Total Farms:				92.4		7.6		0.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Population Change

The following table shows the population trends for the counties comprising the assessment area (i.e. Allegan, Kent and Ottawa Counties), the entire Grand Rapids-Kentwood, MI MSA, and the state of Michigan from the 2020 Decennial Census and the U.S. Census Bureau's estimates for 2011-2015. The counties comprising the assessment area experienced population growth that far outpaced that of the state of Michigan. Kent County experienced the smallest increase at 5.7 percent, though the disparity to its peer counties is minimal. Conversely, Ottawa County experienced the largest increase in population at 8.4 percent. The disparity between Michigan's population growth and the counties' growth indicates strong internal migration, which one community representative attributes to quality-of-life investments the Grand Rapids area has made in recent years. Both Ottawa County and Kent County have seen new housing developments and benefit from the M6 highway that serves to connect communities. Additionally, Ottawa County is home to Hudsonville Community School District, which regularly attracts internal migration and new housing.

Population Change			
Area	2015 Population	2020 Population	Percent Change
Assessment Area	902,557	961,682	6.6%
Allegan County, MI	112,837	120,502	6.8%
Kent County, MI	622,590	657,974	5.7%
Ottawa County, MI	273,136	296,200	8.4%
Grand Rapids-Kentwood, MI MSA	1,022,794	1,087,592	6.3%
Michigan	9,900,571	10,077,331	1.8%
<i>Source: 2011-2015 U.S. Census Bureau American Community Survey and 2020 U.S. Census Bureau Decennial Census</i>			

Income Characteristics

The following table presents the median family income (MFI) for families living in the assessment area, the entire Grand Rapids-Kentwood, MI MSA, and the state of Michigan. The assessment area is comprised of 239,635 families, of which 18.0 percent are low-income, 17.9 percent are moderate-income, 23.3 percent are middle-income, and 40.9 percent are upper income based on 2016-2020 U.S. Census Bureau American Community Survey (ACS) estimates. Similarly, 6.2 percent of families in the assessment area are below the poverty level. Overall, all areas experienced an increase in MFI, though none of the individual counties comprising the assessment area met the entire Grand Rapids-Kentwood, MI MSA's growth of 14.5 percent. Kent and Ottawa Counties saw similar MFI growth, at 13.6 and 13.0 percent, respectively. Allegan County saw the lowest growth at 10.6 percent and most closely resembled that of the state of Michigan.

According to two community representatives, much of the notable income growth is due to new employers and growing industries in the assessment area. Manufacturing is still a primary source of wages for the community, though professional careers in insurance and technology are now growing in prevalence and increasing the median family income. Similarly, the medical industry has created higher paying jobs, increasing the median family income of the area.

Median Family Income Change			
Area	2015 Median Family Income	2020 Median Family Income	Percent Change
Assessment Area	NA	\$81,725	NA
Allegan County, MI	\$67,470	\$74,610	10.6%
Kent County, MI	\$71,334	\$81,007	13.6%
Ottawa County, MI	\$76,893	\$86,866	13.0%
Grand Rapids-Kentwood, MI MSA	\$70,467	\$80,705	14.5%
Michigan	\$68,010	\$75,470	11.0%
<i>Source: 2011 - 2015 and 2016 -2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

Housing Characteristics

The following table presents trends in housing costs, which speaks to housing affordability in the counties comprising the assessment area, the entire Grand Rapids-Kentwood, MI MSA, and the state of Michigan. The numbers presented for the assessment area include all counties in the assessment area in their entirety, including the portions of Allegan County omitted from the assessment area. A method in understanding poverty and housing outcomes is calculating housing cost burden, which is outlined in the following table. The housing cost burden is a ratio of household gross monthly costs to a household's gross monthly income. Housing cost burden, as defined by the Department of Housing and Urban Development (HUD), takes these quantitative ratios, and assigns qualitative values to them. If a household's housing cost is above 30.0 percent of its income, then that household is considered housing cost burden. Overall, there are 370,596 housing units within the assessment area based on 2016-2020 U.S. Census Bureau ACS estimates. Of those housing units, 69.1 percent are owner-occupied, 25.9 percent are rental units, and 5.0 percent are vacant units. According to 2016-2020 U.S. Comprehensive Housing Affordability Strategy, renters experience greater housing cost burden than owners across counties comprising the assessment area, the entire Grand Rapids-Kentwood, MI MSA, as well as the state of Michigan. Notably, low-income renters in Ottawa County saw the highest cost burden among renters at 77.4 percent, and low-income owners in Allegan County saw the highest cost burden among owners at 59.3 percent. Out of all homeowners, owners in Ottawa County experienced the lowest cost burden at 13.6 percent.

According to two community representatives, the availability of affordable housing is a pressing need for the Grand Rapids area. As younger residents move into the area, the community experiences gentrification and higher average cost burdens. The average median income is not

high enough to afford the average home price, and residents who cannot afford the average home price must seek housing away from Grand Rapids.

Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	76.2%	32.2%	42.4%	57.7%	23.7%	14.9%
Allegan County, MI	62.7%	30.9%	36.2%	59.3%	24.4%	16.9%
Kent County, MI	77.4%	34.0%	43.3%	58.0%	24.6%	15.1%
Ottawa County, MI	76.6%	25.9%	41.2%	56.3%	21.5%	13.6%
Grand Rapids-Kentwood, MI MSA	76.8%	32.0%	42.3%	57.9%	24.2%	14.9%
Michigan	74.8%	32.5%	43.0%	61.2%	26.1%	17.7%
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i> <i>Source: U.S. Department of Housing and Urban Development (HUD), 2016-2020 Comprehensive Housing Affordability Strategy</i>						

Employment Characteristics

The following table presents the unemployment rates in the counties comprising the assessment area, the entire Grand Rapids-Kentwood, MI MSA, and the state of Michigan, based on the Bureau of Labor Statistics' Local Area Unemployment Statistics. The numbers presented for the assessment area include all counties in the assessment area in their entirety, including the portions of Allegan County omitted from the assessment area. Overall, unemployment rates saw slight decreases from 2018 or remained constant in 2019. Across all counties, unemployment peaked in 2020 at the start of the COVID-19 pandemic and saw a gradual decreases over the next two years. In 2022, the state of Michigan's rate returned to its 2018 percentage and the counties comprising the assessment area are slightly above their 2018 unemployment rates. Allegan County's unemployment rate is the highest at 3.7 percent, while Ottawa County's rate is the lowest at 3.3 percent.

Both community representatives noted an employment shortage in a number of key industries. As new professional career opportunities become accessible in the community, teachers, skilled trade workers, senior living staff, and nurses are rapidly becoming scarce. Additionally, the farming population is aging, and as current farmers reach retirement age, fewer farmers are available to take their place. Consequently, small farms are consolidating, and some are sold to larger farming companies.

Unemployment Rates					
Area	2018	2019	2020	2021	2022
Assessment Area	3.0%	2.9%	7.6%	4.5%	3.5%
Allegan County, MI	3.3%	3.2%	7.6%	4.7%	3.7%
Kent County, MI	3.0%	2.9%	7.9%	4.7%	3.5%
Ottawa County, MI	2.8%	2.8%	7.1%	4.1%	3.3%
Grand Rapids-Kentwood, MI MSA	3.0%	3.0%	7.7%	4.6%	3.5%
Michigan	4.2%	4.1%	10.0%	5.8%	4.2%
Source: Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics					

Community Representatives

Two community representatives were contacted to provide context regarding the local economic conditions within the assessment area, specifically focusing on the state of housing and economic development. Both representatives agreed that the assessment area is facing an affordable housing shortage amid a continually rising cost of living. Additionally, Kent and Ottawa Counties are challenged with finding and retaining their labor force, especially recent college graduates and skilled workers. The representatives also agreed that local banks are meeting the community's credit needs and actively support small businesses in the Grand Rapids area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

West Michigan Community Bank's performance relative to the lending test is Satisfactory. The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. In addition, a majority of loans were originated in the assessment area. Lending performance demonstrates reasonable penetration among individuals of different income levels and businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. No CRA-related complaints were received by the bank or this Reserve Bank during the evaluation period.

Loan-to-Deposit Ratio

West Michigan Community Bank's loan-to-deposit ratio is more than reasonable (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area, and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments. As of June 30, 2024, the bank's loan-to-deposit ratio averaged 97.1 percent over a 12-quarter period. Similarly situated competitors were selected based on their asset size, branching locations, and market share within or near the bank's assessment area. The bank's 12-quarter average exceeded the loan-to-deposit ratio of all of its local peer competitors during the same period, indicating the bank is efficient in using its deposits to generate loans.

The following table compares the bank's loan-to-deposit ratio to its local competitors:

Comparative Loan-to-Deposit Ratios as of June 30, 2024	
Comparative Data	12 Quarter Average (%)
West Michigan Community Bank	97.1
Peer Avg – Local	71.6
Competitors	
ChoiceOne Bank	56.9
Commercial Bank	80.6
First National Bank Michigan	81.3
Macatawa Bank	48.9
United Bank of Michigan	90.3

Assessment Area Concentration

West Michigan Community Bank made a majority of its loans, and as appropriate, other lending-related activities that are in the bank's assessment area. During the evaluation period, WMCB originated 77.3 percent by number and 79.4 percent by dollar inside the assessment area. Within the sample period the bank originated 271 HMDA-related loans. During the evaluation period, 74.2 percent by number and 78.2 percent by dollar of HMDA-related loans were originated inside the assessment area. Of the 86 small business loans originated during the evaluation period, 87.2 percent by number and 86.1 percent by dollar were originated inside the assessment area. Overall, the percentage of HMDA-related and small business originations within the assessment area indicates the bank's responsiveness to assessment area credit needs of the community. The following table summarizes West Michigan Community Bank's lending inside and outside its assessment area for HMDA-reportable loans from January 1, 2022, through December 31, 2023, and small business loans from January 1, 2023, through December 31, 2023.

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	3	60.0	\$1,876	87.4	2	40.0	\$271	12.6
Home purchase - Conv.	152	74.5	\$48,458	72.3	52	25.5	\$18,569	27.7
Multi-Family Housing	8	66.7	\$48,909	85.6	4	33.3	\$8,249	14.4
Refinancing	38	76.0	\$11,744	75.5	12	24.0	\$3,810	24.5
Total HMDA Related	201	74.2	\$110,987	78.2	70	25.8	\$30,899	21.8
Small Business	75	87.2	\$21,196	86.1	11	12.8	\$3,417	13.9
Total Small Bus. Related	75	87.2	\$21,196	86.1	11	12.8	\$3,417	13.9
TOTAL LOANS	276	77.3	\$132,183	79.4	81	22.7	\$34,316	20.6

Geographic and Borrower Distribution

West Michigan Community Bank demonstrated a reasonable geographic distribution of loans given the bank's assessment area.

An analysis of the dispersion of loans throughout the assessment area was conducted to identify any possible conspicuous gaps in lending patterns. The Assessment area contain 212 total census tracts, of which 11 are low-income, 38 are moderate-income, 106 are middle-income, 37 are upper-income, and four are unknown-income. In 2022 and 2023, West Michigan Community Bank originated HMDA-reportable loans in 31.1 percent and 25.9 percent of census tracts comprising the assessment area, respectively. A review of the bank's lending patterns shows no conspicuous lending gaps, but a significant decrease in lending as proximity to a branch location becomes larger. In 2023, the bank originated small business loans in 18.4 percent of census tracts. A review of the bank's lending patterns shows no conspicuous lending gaps. Overall, West Michigan Community Bank's performance is adequate, and shows no conspicuous lending gaps or concerning lending patterns given the number of HMDA-reportable and small business loans made within the review period.

HMDA-Reportable Lending

Geographic distribution of 2022 and 2023 HMDA-reportable loans is reasonable throughout the assessment area. Given competition within the assessment area and lower prevalence of low- and moderate-income owner-occupied housing, lending opportunities are scarce. As of 2023, WMCB ranks 46th out of 401 HMDA-reporters within the assessment area, originating a total of 84 loans. The top three HMDA reporters are Lake Michigan Credit Union originating 4,976 loans, Huntington National Bank originating 1,496 loans, and Fifth Third Bank originating 1,147 loans. Larger institutions have greater reach and can dedicate substantial resources to originate loans across geographies.

Home Purchase Loans

WMCB originated 1.1 percent of home purchase loans in low-income census tracts in 2022 and 1.6 percent in 2023. The bank's performance is comparable to the aggregate lender at 3.2 percent and 3.4 percent, respectively, and comparable to the percentage of owner-occupied units in low-income census tracts at 1.8 percent. Separately, the bank originated 10.0 percent of home purchase loans in moderate-income tracts in 2022 and 6.5 percent in 2023, which falls below aggregate lending at 15.7 and 16.4 percent and owner-occupied units at 13.0 percent.

Refinance Loans

In both 2022 and 2023, WMCB originated zero refinance loans in low-income census tracts, which is slightly below, but comparable to, the aggregate lending at 1.6 percent and 1.9 percent and comparable to the percentage of owner-occupied units at 1.8 percent. Separately, the bank originated 7.1 percent of refinance loans in moderate-income census tracts in 2022 and 10.0 percent in 2023, which is below the aggregate lending at 14.4 and 14.1 percent, respectively, and owner-occupied units at 13.0 percent.

Limited HMDA-reportable home improvement and multi-family loans were originated in 2022 and 2023; thus, no meaningful analysis of those loan types can be conducted. The following table presents the geographic distribution of HMDA-reportable loans for 2022 and 2023 within the assessment area.

Distribution of 2022 and 2023 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Grand Rapids-Kentwood, MI MSA 24340													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	# %	##	\$ (000)	\$ %	\$ %	#	# %	##	\$ (000)	\$ %	\$ %	
Home Purchase Loans													
Low	1	1.1	3.2	189	0.7	1.8	1	1.6	3.4	136	0.7	1.9	1.8
Moderate	9	10.0	15.7	1,717	6.0	11.2	4	6.5	16.4	645	3.3	12.0	13.0
Middle	51	56.7	49.4	17,361	60.6	46.0	38	61.3	48.6	13,422	67.8	45.5	49.9
Upper	27	30.0	30.8	8,565	29.9	40.2	19	30.6	30.8	5,607	28.3	39.6	34.1
Unknown	2	2.2	0.8	816	2.8	0.9	0	0.0	0.9	0	0.0	1.0	1.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	90	100.0	100.0	28,648	100.0	100.0	62	100.0	100.0	19,810	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	1.6	0	0.0	1.1	0	0.0	1.9	0	0.0	1.3	1.8
Moderate	2	7.1	14.4	499	5.8	10.9	1	10.0	14.1	140	4.4	11.3	13.0
Middle	18	64.3	48.9	4,798	56.1	44.8	6	60.0	50.5	1,322	41.3	47.4	49.9
Upper	8	28.6	34.1	3,249	38.0	42.3	3	30.0	32.8	1,736	54.3	39.3	34.1
Unknown	0	0.0	1.0	0	0.0	0.9	0	0.0	0.7	0	0.0	0.6	1.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	28	100.0	100.0	8,546	100.0	100.0	10	100.0	100.0	3,198	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	1.1	0	0.0	0.7	0	0.0	1.5	0	0.0	1.0	1.8
Moderate	0	0.0	10.0	0	0.0	7.3	1	33.3	11.4	1,201	64.0	8.8	13.0
Middle	0	0.0	49.1	0	0.0	44.5	2	66.7	48.9	675	36.0	45.2	49.9
Upper	0	0.0	39.2	0	0.0	46.8	0	0.0	37.4	0	0.0	44.3	34.1
Unknown	0	0.0	0.6	0	0.0	0.7	0	0.0	0.8	0	0.0	0.7	1.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	3	100.0	100.0	1,876	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	3.6	0	0.0	3.7	0	0.0	9.3	0	0.0	9.5	5.7
Moderate	1	25.0	18.9	1,388	27.8	30.9	0	0.0	16.0	0	0.0	10.0	23.9
Middle	2	50.0	67.6	2,606	52.2	53.5	4	100.0	61.3	43,915	100.0	60.2	53.9
Upper	1	25.0	9.9	1,000	20.0	11.9	0	0.0	12.0	0	0.0	19.7	14.2
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	1.3	0	0.0	0.5	2.3
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	4	100.0	100.0	4,994	100.0	100.0	4	100.0	100.0	43,915	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	1	0.8	2.4	189	0.4	1.8	1	1.3	2.7	136	0.2	2.4	1.8
Moderate	12	9.8	14.1	3,604	8.5	13.0	6	7.6	14.7	1,986	2.9	11.4	13.0
Middle	71	58.2	49.2	24,765	58.7	46.3	50	63.3	49.0	59,334	86.2	46.9	49.9
Upper	36	29.5	33.4	12,814	30.4	38.2	22	27.8	32.7	7,343	10.7	38.4	34.1
Unknown	2	1.6	0.9	816	1.9	0.8	0	0.0	0.9	0	0.0	1.0	1.1
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	122	100.0	100.0	42,188	100.0	100.0	79	100.0	100.0	68,799	100.0	100.0	100.0
Source: 2023 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

Small Business Lending

Geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank originated no small business loans in low-income census tracts, which is consistent with the percentage of businesses located in low-income census tracts in the assessment area. The bank originated 13.3 percent of its small business loans in moderate-income census tracts. The bank's performance is slightly below the percentage of businesses located in moderate-income census tracts at 17.3 percent. Meanwhile, the majority of the bank's small business loans were originated in middle-income census tracts, which aligns with the majority of total businesses (47.0 percent). The following table presents the geographic distribution of a sample of small business loans in the assessment area from January 1, 2023, through December 31, 2023.

Distribution of 2023 Small Business Lending By Income Level of Geography					
Assessment Area: Grand Rapids-Kentwood, MI MSA 24340					
Geographic Income Level	Bank Loans				Total Businesses %
	#	#%	\$(000)	%	
Low	0	0.0	0	0.0	2.4
Moderate	10	13.3	2,759	13.0	17.3
Middle	38	50.7	10,933	51.6	47.0
Upper	27	36.0	7,503	35.4	32.5
Unknown	0	0.0	0	0.0	0.8
Tract-Unk	0	0.0	0	0.0	
Total	75	100.0	21,196	100.0	100.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

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

West Michigan Community Bank's penetration of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes is reasonable given the demographics of the bank's assessment area. While the borrower distribution of small business loans is poor, the distribution of HMDA-reportable products such as home purchase and refinance loans are reasonable.

HMDA-Reportable Lending

Borrower distribution of 2022 and 2023 HMDA-reportable home purchase and refinance loans demonstrates a reasonable dispersion within the assessment area. Significant competition exists within the assessment area and larger institutions are able to dedicate significant resources to reaching low-and moderate-income borrowers.

Home Purchase Loans

WMCB originated 5.6 percent of home purchase loans to low-income borrowers in 2022, and 4.8 percent in 2023, which is slightly below aggregate lending at 8.0 and 6.7 percent respectively and below the percentage of low-income borrowers at 18.0 percent. Separately, the bank originated 26.7 percent of home purchase loans to moderate-income borrowers in 2022 and 30.6 percent in 2023, which is above aggregate lending at 23.4 percent and 22.2 percent respectively, and significantly above the percentage of moderate-income borrowers at 17.9 percent.

Refinance Loans

WMCB originated 10.7 percent of refinance loans to low-income borrowers in 2022 and 0.0 percent in 2023, which is significantly below aggregate lending at 15.5 and 12.7 percent and significantly below the percentage of low-income borrowers at 18.0 percent. Conversely, the bank originated 28.6 percent of refinance loans to moderate-income borrowers in 2022 and 30.0 percent in 2023, which exceeds aggregate lending at 25.9 and 24.8 percent, respectively, and significantly exceeds the percentage of moderate-income borrowers at 17.9 percent. The following table presents the borrower distribution of HMDA-reportable loans for 2022 and 2023, within the assessment area.

Distribution of 2022 and 2023 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Grand Rapids-Kentwood, MI MSA 24340													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	# %	# %	\$ (000)	\$ %	\$ %	#	# %	# %	\$ (000)	\$ %	\$ %	
Home Purchase Loans													
Low	5	5.6	8.0	531	19	4.1	3	4.8	6.7	306	1.5	3.2	18.0
Moderate	24	26.7	23.4	5,125	17.9	17.0	19	30.6	22.2	3,778	19.1	15.7	17.9
Middle	20	22.2	22.5	5,130	17.9	20.6	15	24.2	23.2	3,884	19.6	21.4	23.3
Upper	37	41.1	33.1	16,989	59.3	46.4	21	33.9	32.3	10,500	53.0	45.7	40.9
Unknown	4	4.4	13.0	873	3.0	12.0	4	6.5	15.5	1,342	6.8	14.0	0.0
Total	90	100.0	100.0	28,648	100.0	100.0	62	100.0	100.0	19,810	100.0	100.0	100.0
Refinance Loans													
Low	3	10.7	15.5	409	4.8	9.3	0	0.0	12.7	0	0.0	7.5	18.0
Moderate	8	28.6	25.9	1,493	17.5	20.7	3	30.0	24.8	449	14.0	20.4	17.9
Middle	8	28.6	22.4	2,152	25.2	21.3	3	30.0	24.4	645	20.2	22.1	23.3
Upper	8	28.6	28.2	4,272	50.0	39.4	3	30.0	30.9	1,964	61.4	41.3	40.9
Unknown	1	3.6	7.9	220	2.6	9.3	1	10.0	7.2	140	4.4	8.8	0.0
Total	28	100.0	100.0	8,546	100.0	100.0	10	100.0	100.0	3,198	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	7.9	0	0.0	4.4	0	0.0	9.2	0	0.0	5.7	18.0
Moderate	0	0.0	21.4	0	0.0	15.9	0	0.0	22.3	0	0.0	15.7	17.9
Middle	0	0.0	27.2	0	0.0	23.2	0	0.0	27.5	0	0.0	24.7	23.3
Upper	0	0.0	41.2	0	0.0	54.1	1	33.3	38.6	600	32.0	51.0	40.9
Unknown	0	0.0	2.3	0	0.0	2.3	2	66.7	2.3	1,276	68.0	3.0	0.0
Total	0	0.0	100.0	0	0.0	100.0	3	100.0	100.0	1,876	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	8	6.8	10.4	940	2.5	5.6	3	4.0	8.6	306	1.2	4.1	18.0
Moderate	32	27.1	23.5	6,618	17.8	17.8	22	29.3	22.7	4,227	17.0	16.4	17.9
Middle	28	23.7	23.2	7,282	19.6	20.8	18	24.0	24.4	4,529	18.2	21.6	23.3
Upper	45	38.1	33.0	21,261	57.2	45.2	25	33.3	33.2	13,064	52.5	45.6	40.9
Unknown	5	4.2	9.9	1,093	2.9	10.7	7	9.3	11.1	2,758	11.1	12.3	0.0
Total	118	100.0	100.0	37,194	100.0	100.0	75	100.0	100.0	24,884	100.0	100.0	100.0
Source: 2023 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

Small Business Lending

The distribution of small business loans reflects poor penetration among businesses of different sizes. Within the sample period, the bank originated 46.7 percent, by number, of small business loans to businesses with gross annual revenue of \$1 million or less. WMCB performed significantly below the percentage of total businesses in the assessment area that reported gross annual revenues of \$1 million or less at 88.9 percent. Additionally, 28.6 percent of the bank's loans were originated to businesses with annual revenues of \$1 million or less in the amounts of \$100,000

or less. Overall, the bank's small business lending does not demonstrate meeting the credit needs of local businesses, given a higher proportion of loans between \$250,000 and \$1 million as well as lending to revenues over \$1 million were originated. The following table presents the borrower distribution of small business loans in the assessment area from January 1, 2023, through December 31, 2023.

Distribution of 2023 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Grand Rapids-Kentwood, MI MSA 24340					
	Bank Loans				Total Businesses
	#	#%	\$(000)	%	
By Revenue					
\$1 Million or Less	35	46.7	10,240	48.3	88.9
Over \$1 Million	40	53.3	10,957	51.7	10.3
Revenue Unknown	0	0.0	0	0.0	0.8
Total	75	100.0	21,196	100.0	100.0
By Loan Size					
\$100,000 or Less	27	36.0	1,289	6.1	
\$100,001 - \$250,000	20	26.7	3,356	15.8	
\$250,001 - \$1 Million	28	37.3	16,550	78.1	
Total	75	100.0	21,196	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	10	28.6	431	4.2	
\$100,001 - \$250,000	12	34.3	2,074	20.3	
\$250,001 - \$1 Million	13	37.1	7,735	75.5	
Total	35	100.0	10,240	100.0	
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

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

Lending, Investment, and Services Activities

West Michigan Community Bank demonstrates excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services.

During the review period, the bank originated 13 qualified community development loans totaling \$33.8 million in the assessment area. Since the previous evaluation, the number of loans decreased from 23 to 13, though the dollar volume increased significantly from \$12.6 million to \$33.8 million, a 168.3 percent increase. Of the bank's qualified community development loans, nine loans totaling \$18.7 million were made for affordable housing, one loan totaling \$4.3 million was made for economic development purposes, two loans totaling \$3.6 million were made for community service purposes, and one loan totaling \$7.2 million was made for revitalization/stabilization purposes. The focus in lending dedicated to affordable housing is responsive to the needs of the community as identified by both community representatives and bank management.

The bank made two new qualified investments totaling \$1.5 million, both for the primary community development purpose of affordable housing. The investments were made to the same organizations as the previous evaluation, with identical dollar allocations.

The bank made 19 qualified donations totaling \$69,975, nearly half of which went to organizations primarily focused on affordable housing. Three of the bank's aforementioned donations were made in the broader statewide or regional area for a total of \$5,995. During the previous evaluation period, more donations were made to organizations primarily focused on community services, though the current allocation reflects a growing response to the community's need for affordable housing. Since the last evaluation, the number of donations decreased by 16 and the dollar amount decreased by \$19,682, or 22.1 percent.

Additionally, the bank provided volunteer services to 34 unique organizations totaling 2,460 hours. Of the 34 organizations serviced, four organizations were in the broader statewide or regional area, totaling 162 service hours. While the number of organizations served decreased from 66 since the previous evaluation, the number of service hours increased substantially by 45.6%. Overall, 16 of the services, or 1,842.5 of the hours, were dedicated to organizations with a community service focus for low- and moderate-income individuals and families. Additionally, 17 of the services, totaling 487.5 hours, were made to community organizations with a focus on affordable housing. Lastly, one service, totaling 130 hours, was dedicated to an organization with a focus on economic development.

The following table presents WMCB's community development activities during the evaluation period.

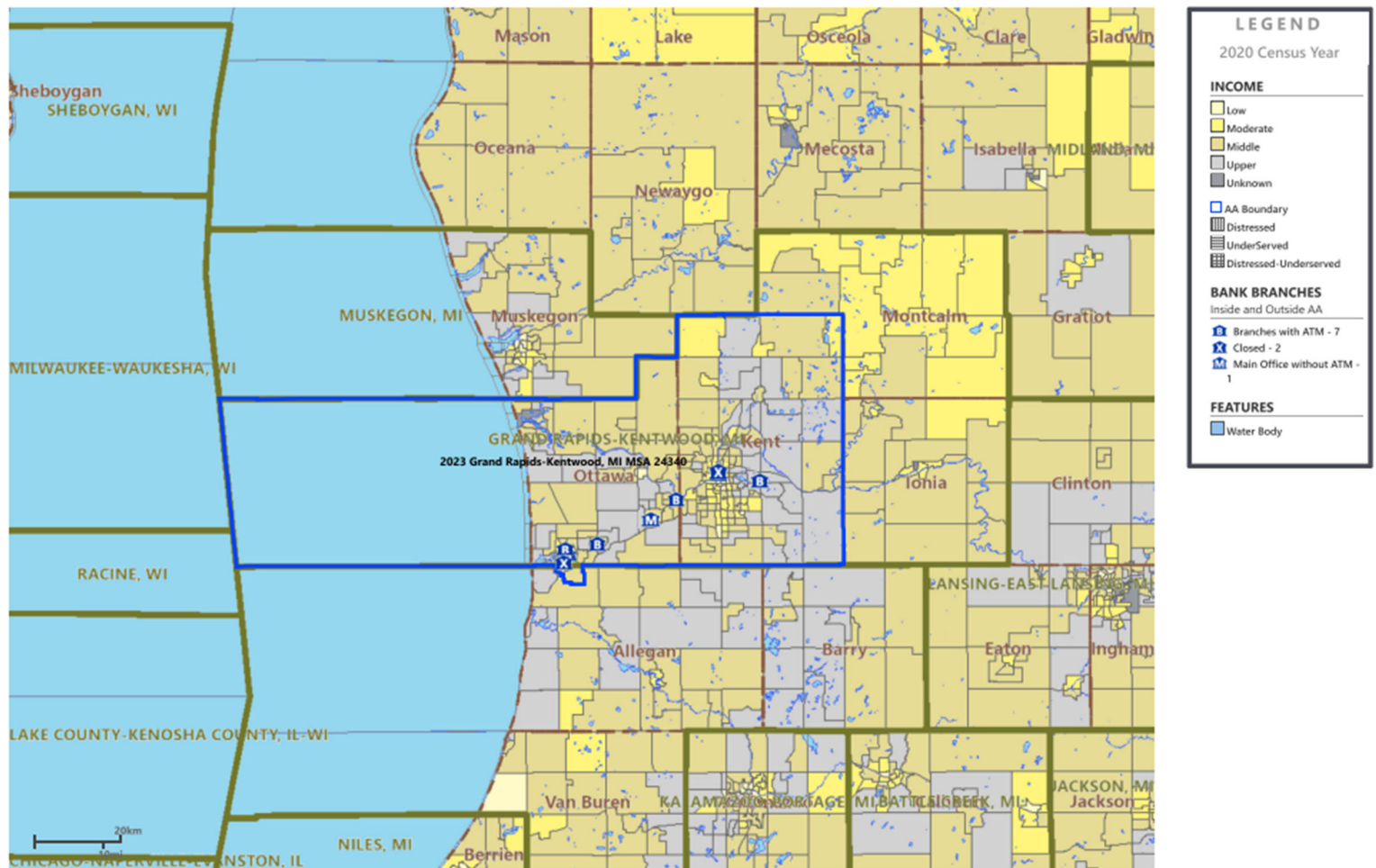
Summary of Community Development Activities from July 27, 2021 – November 18, 2024										
Type of Activity	Affordable Housing		Economic Development		Revitalization and Stabilization		Community Service		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	9	18,761,619	1	4,250,000	1	7,192,000	2	3,600,000	13	33,803,619
Investments	2	1,500,000	0	0	0	0	0	0	2	1,500,000
Donations	8	33,280	1	2,500	2	8,300	8	25,895	19	69,975
Services	17	487.5	1	130	0	0	16	1,842.5	34	2,460

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

West Michigan Community Bank 715340 Grand Rapids-Kentwood, MI MSA 24340



APPENDIX B – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED		HMDA-Reportable Lending: January 1, 2022 – December 31, 2023 Small Business Lending: January 1, 2023 – December 31, 2023 Community Development Activities: July 27, 2021 – November 18, 2024	
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
West Michigan Community Bank			HMDA-Reportable Loans Small Business Loans
AFFILIATE(S)		AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
None		Not Applicable	Not Applicable
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Michigan Grand Rapids-Kentwood, MI MSA #24340	Full scope review	None	Not Applicable

APPENDIX C – Glossary

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

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

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

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.²

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

² Source: FFIEC press release dated October 19, 2011.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Income Level: Income level means:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

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

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