

PUBLIC DISCLOSURE

January 24, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Hometown Savings Bank
Certificate Number: 17736

533 Ohio Street
Terre Haute, Indiana 47807

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

300 South Riverside Plaza, Suite 1700
Chicago, Illinois 60606

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

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

The following points summarize The Hometown Savings Bank's (THSB) Lending Test Performance:

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area (AA) credit needs.
- A majority of loans are inside the institution's AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of loans reflects, given the demographics of the AA, poor penetration among individuals of different income levels for home mortgage loans, but is reasonable among businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

The institution demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the AA.

DESCRIPTION OF INSTITUTION

THSB is a community bank headquartered in Terre Haute, Indiana, and is a wholly owned subsidiary of Terre Haute Savings Mutual Holding Company, Inc., a one-bank holding company also located in Terre Haute, Indiana. The holding company also wholly owns THSB Statutory Trust I, which issues trust preferred securities. The bank has no other affiliates or subsidiaries, and has not completed any merger or acquisition-related activity since the prior evaluation. The bank was previously known as Terre Haute Savings Bank, and received a "Satisfactory" rating at its previous FDIC CRA Performance Evaluation dated December 16, 2019 utilizing Interagency Small Institution CRA Examination Procedures. The bank's name change was effective in February 2022.

The bank operates eight full-service offices (including the main office) in Vigo and Clay Counties, which comprise a portion of the Terre Haute, Indiana Metropolitan Statistical Area (MSA). THSB additionally operates three stand-alone automated teller machines (ATMs). The bank did not open or close any office locations over the review period; however, the bank closed two ATMs located in middle- and upper-income tracts. The following table provides additional information on the branch locations.

Office Locations				
Address	City	County	ATM	Tract Income Level
533 Ohio St.	Terre Haute	Vigo	Yes	Moderate
260 E. National Ave.	Brazil	Clay	Yes	Middle
1820 Lafayette Ave.	Terre Haute	Vigo	Yes	Middle
2503 Poplar St.	Terre Haute	Vigo	Yes	Middle
7345 S. State Road 46	Terre Haute	Vigo	Yes	Upper
4729 S. US Highway 41	Terre Haute	Vigo	Yes	Upper
1010 W. National Ave.	West Terre Haute	Vigo	Yes	Moderate
1120 E. Davis Dr.	Terre Haute	Vigo	Yes	Upper

Source: Bank Records, 2015 ACS

The bank offers traditional loan products including residential, commercial, agricultural, and consumer loans, primarily focusing on residential and commercial loans. Deposit products include checking, savings, money market, health savings, and individual retirement accounts, and certificates of deposit. The bank also offers trust and wealth management services. Alternative banking services include online and mobile banking, bill pay, and ATMs.

During the review period, THSB participated in the Small Business Administration’s Paycheck Protection Program (PPP), which provided loans to businesses during the COVID-19 pandemic to cover wages and other operating expenses. In 2020, the bank originated 205 PPP loans totaling \$10.3 million, and in 2021, the bank originated 193 PPP loans totaling \$5.8 million.

According to the bank’s Call Report dated September 30, 2022, the bank’s assets totaled approximately \$497.2 million and included total loans of \$239.4 million and total securities of \$210.5 million. Deposits totaled \$457.9 million. While the bank’s total assets rose by 50.4 percent since the prior evaluation, total deposits increased a more substantial 83.5 percent, stemming from government stimulus programs, while total loans increased by only 4.8 percent. Total securities increased by 173.9 percent over the evaluation period as management placed excess liquidity in the securities portfolio due to flat loan demand. The following table illustrates the bank’s loan portfolio distribution.

Loan Portfolio Distribution as of 9/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	5,175	2.2
Secured by Farmland	5,465	2.3
Secured by 1-4 Family Residential Properties	108,379	45.3
Secured by Multifamily (5 or more) Residential Properties	25,486	10.6
Secured by Nonfarm Nonresidential Properties	67,145	28.1
Total Real Estate Loans	211,650	88.4
Commercial and Industrial Loans	18,923	7.9
Agricultural Production and Other Loans to Farmers	1,278	0.5
Consumer Loans	2,924	1.2
Obligations of State and Political Subdivisions in the U.S.	4,543	1.9
Other Loans	43	0.0
Lease Financing Receivable (net of unearned income)	-	0.0
Less: Unearned Income	-	0.0
Total Loans	239,361	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit THSB's ability to meet the credit needs of its AA.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. THSB's AA remains the same since the prior evaluation and includes the entirety of Vigo and Clay Counties within the Terre Haute, Indiana MSA. THSB's AA does not arbitrarily exclude low- and moderate-income areas, does not reflect illegal discrimination, and otherwise meets the requirements of the CRA regulations.

Economic and Demographic Data

Based on 2015 ACS data, the AA contains 34 census tracts with the following income designations: 4 low-income, 9 moderate-income, 11 middle-income, and 10 upper-income. The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	34	11.8	26.5	32.4	29.4	0.0
Population by Geography	134,954	6.2	24.5	31.5	37.8	0.0
Housing Units by Geography	58,046	6.4	24.3	33.1	36.2	0.0
Owner-Occupied Units by Geography	32,279	3.6	17.3	35.8	43.2	0.0
Occupied Rental Units by Geography	18,381	10.7	35.1	28.3	25.9	0.0
Vacant Units by Geography	7,386	7.9	27.9	33.2	31.0	0.0
Businesses by Geography	8,780	7.4	23.9	30.7	38.0	0.0
Farms by Geography	438	2.5	10.5	35.2	51.8	0.0
Family Distribution by Income Level	32,120	21.6	17.6	19.6	41.2	0.0
Household Distribution by Income Level	50,660	25.0	16.3	17.1	41.5	0.0
Median Family Income MSA - 45460 Terre Haute, IN MSA		\$53,117	Median Housing Value			\$94,521
			Median Gross Rent			\$683
			Families Below Poverty Level			13.2%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to the 2015 ACS data, there are 58,046 housing units within the AA. Of these, 55.6 percent are owner-occupied, 31.7 percent are rental units, and 12.7 percent are vacant.

D&B data from 2021 shows the AA contains 8,780 non-farm businesses. Of those businesses, 81.4 percent have revenues of \$1.0 million or less, 61.0 percent employ four or fewer employees, and 87.0 percent operate from a single location. The largest industries in the AA are services (37.6 percent), non-classifiable establishments (16.5 percent), retail trade (13.4 percent), and finance, insurance, and real estate (9.7 percent). Major employers in the AA include Union Hospital Health Care Group, Indiana State University, Great Dane Trailers, Terre Haute Regional Hospital, and Process Development and Fabrication, Inc.

Data obtained from the U.S. Bureau of Labor and Statistics, shows that unemployment levels in the AA increased significantly from 2019 to 2020, and then decreased from 2020 to 2022 consistent with state and national unemployment rates. Like most of the country, unemployment rates in the AA experienced a sharp increase in 2020 due to the COVID-19 pandemic. As shown in the following table, unemployment rates have since declined to below pre-pandemic levels.

Unemployment Rates				
Area	2019	2020	2021	November 2022
	%	%	%	%
Vigo County	4.4	7.9	4.3	3.4
Clay County	3.6	6.6	3.6	3.2
State	3.3	7.2	3.6	3.0
National Average	3.7	8.1	5.3	3.6

Source: Bureau of Labor Statistics

Examiners used the FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle-, and upper-income categories for the AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Terre Haute, IN MSA Median Family Income (45460)				
2021 (\$61,300)	<\$30,650	\$30,650 to <\$49,040	\$49,040 to <\$73,560	≥\$73,560

Source: FFIEC

Competition

There is a moderate level of competition for financial services in the AA. According to FDIC deposit market share data as of June 30, 2022, seven FDIC-insured financial institutions operate 38 offices in the AA, with \$3.1 billion in deposits. THSB ranked third in market share with 13.1 percent of total deposits. The top two institutions accounted for 65.3 percent of the deposit market share.

There is a moderate level of competition in the AA for home mortgage lending from mortgage companies, credit unions, and regional and national banks. Based on 2021 Home Mortgage Disclosure Act (HMDA) aggregate data, 174 lenders originated or purchased 3,243 home mortgage loans in the AA. THSB ranked fourth with 8.2 percent of the market share. The top three lenders accounted for 43.0 percent of the home mortgage lending market share.

There is a moderate level of competition in the AA for small business loans. THSB is not required to collect or report its small business lending data. As such, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the level of competition for small business loans. Aggregate data for 2021 shows 77 institutions originated 2,450 small business loans within the AA. The five most prominent small business lenders accounted for 67.4 percent of all originations.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted a representative from a local community foundation. The contact stated local economic conditions are stagnant due to effects of the COVID-19 pandemic. The contact also stated the availability of the local housing stock is insufficient. The contact noted the main limitations organizations face in serving the community include funding, volunteers, and a lack of vision by community leaders. According to the contact, the primary credit needs of the community include those related to housing and small dollar loans with reasonable interest rates and eligibility requirements. The contact further identified a need for financial literacy. Specific financial literacy needs mentioned include debt relief, credit card usage aimed at college students due to the proximity to four college campuses, and assisting senior citizens in analyzing costs associated with health insurance plans. The contact also stated THSB was doing an exemplary job of serving the community.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that residential mortgage and small business lending represent primary credit needs of the AA. Although examiners did not identify any major unmet credit or community development needs, there remains opportunities for small dollar loans and financial literacy programs.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated December 16, 2019, to the current evaluation dated January 24, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's performance. These procedures consist of the Lending Test and the Community Development Test. Performance criteria for each test is contained in the Appendix. Banks must achieve a rating of at least "Satisfactory" under each test to obtain an overall "Satisfactory" rating. As previously noted, the last evaluation was based on the Small Institution Examination Procedures, which did not include the Community Development Test.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the loan portfolio composition, the number and dollar volume of loans originated during the evaluation period, and the bank's business strategy. Examiners did not

consider small farm or consumer loans as they are not a major product line and do not represent a significant portion of the bank's loan portfolio. In evaluating performance, examiners placed more weight on home mortgage loans as it represents the highest volume of originations during the evaluation period and the largest component of the bank's loan portfolio. Bank records indicate that the lending focus and product mix remained relatively consistent throughout the evaluation period.

Examiners considered all home mortgage loans that the bank reported on its 2019, 2020, and 2021 HMDA Loan Application Registers. In these three years combined, THSB originated 949 home mortgage loans totaling \$144.2 million. Examiners used aggregate HMDA data, as well as census demographic data, to compare the bank's performance. The aggregate data consists of all reporters subject to HMDA data collection requirements in the AA. In general, the aggregate data helps better illustrate market demand and lending opportunities. As lending performance was consistent through the three years reviewed, examiners presented only the most recent year for which aggregate data is available in the Geographic Distribution and Borrower Profile tables, later in this evaluation.

Examiners also analyzed the universe of small business loans that the bank originated in 2020, 2021, and 2022. In these three years combined, THSB originated 677 small business loans totaling \$55.0 million, which included 398 PPP loans totaling \$16.1 million. D&B data provided a standard of comparison for the small business loans. Excluding PPP loans, lending performance was consistent among the years; therefore, examiners presented only the most recent year for which D&B data is available in the Geographic Distribution and Borrower Profile tables, later in this evaluation.

While this evaluation includes the number and dollar volume of loans, examiners emphasized performance by number of loans, because it is a better indicator of the number of individuals and businesses served.

For the Community Development Test, examiners considered data provided by bank management for community development loans, qualified investments, and community development services.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test performance is reasonable overall, based on the institution's performance for each of the evaluated criteria.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and AA needs. The LTD ratio, calculated from Call Report data, averaged 63.9 percent over the past 12 calendar quarters since the prior performance evaluation. This is a decrease from the prior evaluation when the LTD ratio averaged 82.8 percent. The ratio ranged from a high of 85.7 at December 31, 2019, to a low of 51.5 percent at September 30, 2022.

THSB sells mortgages on the secondary market. Total sales activities were as follows: 2019 – 71 loans totaling \$9.3 million; 2020 – 231 loans totaling \$37.1 million; and 2021 – 158 loans totaling \$22.0 million. Those loans are not included in the LTD ratio, and loan sales allow additional liquidity to fund additional loans.

As shown in the following table, THSB’s LTD ratio is within the range of five similarly-situated institutions, which examiners identified based on asset size and loan composition. The ratio began declining in early 2020 due to an influx of deposits associated with COVID-19 stimulus packages. As previously noted, the institution’s deposit growth significantly outpaced its loan growth, causing the LTD ratio to contract. The similarly-situated institutions also experienced declining net LTD ratios over the same period, also resulting from the COVID-19 pandemic.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2022 (\$000s)	Average Net LTD Ratio (%)
The Hometown Savings Bank	497,221	63.9
Similarly-Situated Institution #1	319,100	66.8
Similarly-Situated Institution #2	404,652	61.3
Similarly-Situated Institution #3	369,580	85.9
Similarly-Situated Institution #4	527,719	71.6
Similarly-Situated Institution #5	548,342	89.4
<i>Source: Reports of Condition and Income 12/31/2019 - 9/30/2022</i>		

Assessment Area Concentration

As shown in the following table, THSB originated a majority of its home mortgage and small business loans by number and dollar volume within the AA during the evaluation period.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	189	87.1	28	12.9	217	24,205	82.5	5,143	17.5	29,348
2020	370	89.2	45	10.8	415	54,813	85.3	9,438	14.7	64,251
2021	266	83.9	51	16.1	317	41,878	82.7	8,756	17.3	50,634
Subtotal	825	86.9	124	13.1	949	120,896	83.8	23,337	16.2	144,233
Small Business										
2020	268	87.6	38	12.4	306	19,428	89.2	2,353	10.8	21,781
2021	251	88.7	32	11.3	283	18,690	89.3	2,240	10.7	20,930
2022	80	90.9	8	9.1	88	10,872	88.7	1,382	11.3	12,254
Subtotal	599	88.5	78	11.5	677	48,990	89.1	5,975	10.9	54,965
Total	1,424	87.6	202	12.4	1,626	169,886	85.3	29,312	14.7	199,198
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the AA.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable dispersion throughout the AA. As shown in the following table, the bank's performance in low- and moderate-income tracts was consistent with aggregate performance. Lending was also reasonable in comparison to the owner-occupied housing levels in the low- and moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	3.6	2.1	8	3.0	1,076	2.6
Moderate						
2021	17.3	15.1	38	14.3	6,199	14.8
Middle						
2021	35.8	37.7	90	33.8	10,524	25.1
Upper						
2021	43.2	45.1	130	48.9	24,079	57.5
Not Available						
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2021	100.0	100.0	266	100.0	41,878	100.0

*Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The distribution of small business loans reflects reasonable dispersion throughout the AA. The following table shows the distribution of small business loans within the AA, and includes comparative data for the distribution of businesses by tract income level. For 2021, the bank's performance in low-income tracts exceeded the percentage of businesses.

The performance in moderate-income tracts for 2021 trailed the percentage of businesses. However, performance is reasonable based upon the bank's performance in 2020 and 2022. In 2020, 22.4 percent of the small business loans were in the moderate-income tracts, compared to 24.2 percent of businesses. In 2022, 15.0 percent of small business lending was in the moderate-income tracts, compared to 14.6 percent of businesses. (The demographic data used as a comparison for the 2022 loan data is based upon the 2020 Census Data. The 2020 Census Data has a different distribution of census tracts by income level than the 2015 ACS data used for the 2020 and 2021 loan data.)

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2021	7.4	26	10.4	2,838	15.2
Moderate					
2021	23.9	42	16.7	3,143	16.8
Middle					
2021	30.7	91	36.3	7,648	40.9
Upper					
2021	38.0	92	36.6	5,061	27.1
Not Available					
2021	0.0	0	0.0	0	0.0
Totals					
2021	100.0	251	100.0	18,690	100.0
<i>Source: 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, poor penetration among individuals of different income levels for home mortgage loans, but reasonable penetration among businesses of different sizes for small business loans. As noted earlier, home mortgage lending performance received greater weight in the overall conclusions.

Home Mortgage Loans

The distribution of loans reflects poor penetration among individuals of different income levels. As shown in the following table, lending to low- and moderate-income borrowers trails aggregate performance and the percentages of families by income level for both categories.

Examiners noted that 13.2 percent of families in the AA have incomes below the poverty level. These families likely face difficulty qualifying for, and/or servicing debt in amounts sufficient to finance homes in the AA. Examiners also noted the community contact, discussed previously in this evaluation, identified insufficient housing stock in the AA. Both factors affect lending opportunities for the bank and other lenders included in the aggregate data. However, the bank's lending to low-income and moderate-income borrowers was significantly below the aggregate data and the percentages of families by income level for all three years of lending reviewed.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	21.6	6.6	8	3.0	448	1.1
Moderate						
2021	17.6	18.3	29	10.9	2,401	5.7
Middle						
2021	19.6	21.3	50	18.8	5,403	12.9
Upper						
2021	41.2	34.9	120	45.1	20,274	48.4
Not Available						
2021	0.0	18.9	59	22.2	13,352	31.9
Totals						
2021	100.0	100.0	266	100.0	41,878	100.0
<i>Source: 2015 ACS; Bank Data, 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of loans reflects reasonable penetration among businesses of different sizes. As shown in the following table, the bank's lending to businesses with gross annual revenues of \$1 million or less was comparable to the percentage of businesses with those revenues. Additionally, a majority of the originations listed in the "Revenue Not Available" category were PPP loans for which the bank was not required to collect revenue data from the borrowers. Excluding those loans, the bank's performance is more consistent with the percentage of businesses having gross annual revenues of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2021	81.4	186	74.1	11,015	58.9
>\$1,000,000					
2021	4.8	36	14.3	5,687	30.4
Revenue Not Available					
2021	13.9	29	11.6	1,988	10.7
Totals					
2021	100.0	251	100.0	18,690	100.0
<i>Source: 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The bank’s community development activities demonstrated adequate responsiveness to the community development needs of its AA, through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

THSB originated 12 community development loans within the AA totaling \$12.3 million during the evaluation period. In addition to the loans originated inside of the AA, the bank originated four loans totaling \$3.9 million outside of the AA, but within the regional area. The total community development loans represent 3.3 percent of total assets and 6.8 percent of total loans as of September 30, 2022. THSB’s community development lending activity exceeded the performance of two similarly-situated institutions and trailed the performance of another similarly-situated institution. The following table presents the bank’s community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	-	-	-	-	-	-	-	-	-	-
2020	1	76	-	-	1	3,958	3	4,250	5	8,284
2021	3	412	-	-	-	-	2	3,900	5	4,312
2022	5	2,129	-	-	1	1,440	-	-	6	3,569
YTD 2023	-	-	-	-	-	-	-	-	-	-
Total	9	2,617	-	-	2	5,398	5	8,150	16	16,165

Source: Bank Data

Notable examples of the bank’s community development loans include:

- \$2.0 million to finance the costs of public improvements, including a water tower and booster pump, serving a designated economic development area.
- \$1.9 million to revitalize a vacant and dilapidated downtown building into a mixed use building consisting of commercial space on the main floor and four apartment units on the second floor.
- A \$4.0 million Small Business Administration 504 loan to construct a medical office building and purchase medical equipment.

Home Down Payment Assistance Program

In addition to the community development lending, THSB established a partnership in July 2022 with the United Way of the Wabash Valley to begin offering the Paving the Way Homeownership Loan Program, which assists eligible borrowers with down payments and loan costs. The program provides up to 5.0 percent in assistance (3.0 percent down payment and 2.0 percent for closing costs) for the purchase of a home up to a price of \$80,000. For eligible borrowers, THSB reduces their origination fee by half and explores the possibility of obtaining locally discounted appraisals, home inspections, and title closing fees. Applicants must complete 8 hours of financial literacy classes prior to closing or provide proof of completing such courses in the last year. No loans have been originated by the bank through this program, but the housing supply is lean as noted by the community contact. Limited housing impacts housing available, especially in the lower price ranges.

Qualified Investments

THSB's qualified investments and donations during the evaluation period totaled \$4.6 million, representing 0.9 percent of total assets and 2.2 percent of total securities as of September 30, 2022. THSB's activity exceeded the performance of two similarly-situated institutions and trailed the performance of another similarly-situated institution. The activities addressed identified community development needs.

As the bank generally met the community development needs of its AA, examiners considered investments and donations made or retained outside of the AA that affected a broader, regional area. This includes two donations and three investments totaling \$1.8 million. The following table shows the bank's community development investments and donations.

Qualified Investments and Donations										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	2	1,496	-	-	4	1,080	6	2,576
2019 (Partial)	-	-	-	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-	-	-	-
2021	-	-	1	691	-	-	1	472	2	1,163
2022	1	750	-	-	-	-	-	-	1	750
YTD 2023	-	-	-	-	-	-	-	-	-	-
Subtotal	1	750	3	2,187	-	-	5	1,552	9	4,489
Qualified Grants & Donations	7	32	75	83	1	1	4	3	87	119
Total	8	782	78	2,270	1	1	9	1,555	96	4,608
<i>Source: Bank Data</i>										

Notable examples of the bank's community development investments and donations include:

- A \$691,000 bond to pay for renovation and construction improvements of a middle school

where the majority of students qualify for free or reduced cost lunch. The project includes safety improvements to school facilities and the purchase of new equipment and technology.

- A \$750,000 bond issued by a state housing and community development authority to provide funding for purchasing mortgage certificates of qualifying loans made to low- or moderate-income residents and to provide down payment assistance.
- \$250,000 between two bonds to pay for the costs of road improvements serving or benefitting a designated economic development area.

Community Development Services

During the evaluation period, THSB employees provided 58 instances of community development services to 23 organizations. Staff provided numerous community development services during the evaluation period including frequently serving in leadership positions and providing financial expertise to various organizations throughout the AA. The level of community development services provided by THSB exceeded the performance of two similarly-situated institutions and trailed the performance of another similarly-situated institution. The following table illustrates THSB’s community development services for the review period.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019 (Partial)	-	-	-	-	-
2020	2	16	1	2	21
2021	3	19	1	2	25
2022	4	8	-	-	12
YTD 2023	-	-	-	-	-
Total	9	43	2	4	58
<i>Source: Bank Data</i>					

Notable examples of the bank’s community development services include:

- A bank employee served as Treasurer of a community center that provides recreational, educational, health, and social services to the citizens of West Terre Haute and surrounding communities. The local area is primarily low- and moderate-income, as the local schools of have a student population where approximately 89.0 percent received free and reduced cost lunch.
- A bank employee served as a Board member and on several committees of a nonprofit community foundation responsible for creating charitable funds to award grants and scholarships. The foundation funds community development, education, and health and human services for low- and moderate-income persons.
- A bank employee was involved in a financial literacy program for low- and moderate-income young people.

The bank also maintained twelve Interest on Lawyers Trust Accounts totaling \$264,000 over the review period. The interest earned on these accounts helps pay for legal services for low- and moderate-income individuals.

The bank has two banking offices located in moderate-income census tracts (with ATMs). Those offices make services more accessible to residents of those census tracts.

Additionally, the national Cities for Financial Empowerment Fund officially certified THSB's On-Track checking account as meeting Bank On national account standards. The Bank On account standards designate features that ensure low cost, high functionality, and consumer safety. The goal of Bank On is to ensure everyone has access to safe and affordable financial products and services. The On-Track account includes a financial literacy component that customers must complete with a bank representative prior to account opening. The bank currently has three On-Track Checking Accounts on its books. This product is new and was offered to customers approximately one week prior to the current evaluation date.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

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

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

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

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

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

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

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

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

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

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

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

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

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

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

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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

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

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

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

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

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

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

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

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

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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