

PUBLIC DISCLOSURE

August 18, 2025

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 areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- A majority of loans are in the institution's assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

DESCRIPTION OF INSTITUTION

The Hometown Savings Bank (THSB) is a community bank headquartered in Terre Haute, Indiana. The bank is a wholly-owned subsidiary of Terre Haute Savings Mutual Holding Company, Inc., a one-bank holding company also located in Terre Haute. The holding company also wholly owns THSB Statutory Trust I, which issues trust preferred securities. The bank has no other affiliates or subsidiaries. THSB received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated January 24, 2023, utilizing Interagency Intermediate Small Institution CRA Examination Procedures.

THSB acquired First Savings Bank (Danville, Illinois) on November 1, 2023. First Savings Bank had total assets of approximately \$32.0 million at the time of acquisition and operated a single office in Danville, focusing exclusively on residential lending. First Savings Bank's final FDIC CRA Performance Evaluation was on May 3, 2021, with a rating of Satisfactory.

THSB operates nine full-service offices. Of these, eight, including the main office, are in Indiana in Vigo and Clay counties, which comprise a portion of the Terre Haute, Indiana Metropolitan Statistical Area (Terre Haute MSA). The remaining office is in Vermilion County, Illinois, and was

the former main office of First Savings Bank. THSB additionally operates three stand-alone ATMs. Aside from the First Savings Bank acquisition, THSB did not open or close any other offices since the previous evaluation.

Office Locations				
Address	City, State	County	ATM	Tract Income Level
533 Ohio St.	Terre Haute, IN	Vigo	Yes	Unknown
1820 Lafayette Ave.	Terre Haute, IN	Vigo	Yes	Middle
2503 Poplar St.	Terre Haute, IN	Vigo	Yes	Middle
7345 S. State Road 46	Terre Haute, IN	Vigo	Yes	Middle
4729 S. US Highway 41	Terre Haute, IN	Vigo	Yes	Middle
1120 E. Davis Dr.	Terre Haute, IN	Vigo	Yes	Upper
1010 W. National Ave.	West Terre Haute, IN	Vigo	Yes	Moderate
260 E. National Ave.	Brazil, IN	Clay	Yes	Middle
6 W. Williams St.	Danville, IL	Vermilion	Yes	Low
Source: Bank Records, 2024 U.S. Census Data				

The bank offers traditional loan products including residential, commercial, agricultural, and consumer loans, primarily focusing on residential and commercial loans. In early 2024, THSB introduced its Paving the Way residential loan program, which is tailored to the needs of low- and moderate-income borrowers. 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.

According to THSB's Consolidated Reports of Condition and Income (Call Report), dated June 30, 2025, the bank's assets totaled \$478.8 million and included total loans of \$282.4 million and total securities of \$123.2 million. Deposits totaled \$426.0 million as of the same date. The bank's total assets decreased slightly during the evaluation period, down approximately \$18.2 million since the previous evaluation in early 2023. One-to-four family residential loans remain the bank's primary loan product offering, representing approximately half of the total loan portfolio, followed by commercial lending, which makes up slightly more than one quarter of the portfolio.

The following table illustrates the bank's loan portfolio distribution as of June 30, 2025.

Loan Portfolio Distribution as of 06/30/2025		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	8,581	3.0
Secured by Farmland	12,187	4.3
Secured by 1-4 Family Residential Properties	140,372	49.7
Secured by Multifamily (5 or more) Residential Properties	29,185	10.3
Secured by Nonfarm Nonresidential Properties	66,888	23.7
Total Real Estate Loans	257,213	91.0
Commercial and Industrial Loans	14,714	5.2
Agricultural Production and Other Loans to Farmers	2,021	0.7
Consumer Loans	3,734	1.3
Obligations of State and Political Subdivisions in the U.S.	3,843	1.4
Other Loans	855	0.3
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	282,380	100.0
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0%.</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

THSB delineated two assessment areas, one in Indiana and Illinois, as outlined in the following table. The Indiana assessment area includes the entirety of Vigo and Clay counties within the Terre Haute MSA. The Illinois assessment area includes the entirety of Vermilion County, which is a non-metropolitan statistical area (non-MSA) county. The Illinois non-MSA assessment area is new since the previous evaluation as a result of the acquisition of First Savings Bank.

Rated Areas and Assessment Areas		
Rated Area	Assessment Area	Counties
Indiana	Terre Haute MSA	Clay and Vigo
Illinois	Illinois non-MSA	Vermilion

The assessment areas consist of whole geographies, do not arbitrarily exclude low- or moderate-income areas, do not reflect illegal discrimination, and otherwise meet the requirements of the CRA regulation. Refer to the separate assessment area sections of this evaluation for more information on each area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated January 24, 2023, to the current evaluation dated August 18, 2025. Examiners evaluated THSB's performance using the Interagency Intermediate Small Institution CRA Examination Procedures, which includes the Lending Test and Community Development Test. The appendices contain a description of the specific criteria included in each of these tests.

Examiners performed full-scope reviews of the Terre Haute MSA and Illinois non-MSA assessment areas. As these assessment areas are in different states, examiners assigned separate ratings for each state. The Illinois non-MSA assessment area contains a small portion of overall bank operations, including offices, loans, and deposits. Therefore, between the two rated areas, Indiana carried significantly more weight than Illinois in arriving at overall performance conclusions. A substantial majority of bank operations and lending activity are in Indiana. The following table provides a breakdown of loans, deposits, and offices across the two assessment areas.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans*		Deposits		Offices	
	\$(000s)	%	\$(000s)	%	#	%
Indiana MSA	25,009	97.8	381,552	94.8	8	88.9
Illinois non-MSA	559	2.2	20,838	5.2	1	11.1
Total	25,568	100.0	402,390	100.0	9	100.0

*Source: Bank Data; FDIC Summary of Deposits (06/30/2024). *Loans include 2024 home mortgage and small business loans.*

THSB does not have any affiliate lending relationships, and therefore, this evaluation does not include any affiliate lending activity.

Activities Reviewed

For the Lending Test, examiners reviewed home mortgage and small business loans as these represent THSB's major product lines. Examiners did not review small farm lending as it makes up a small portion of the overall loan portfolio and is not a primary business focus of the bank. Additionally, examiners analyzed small business lending only in the Terre Haute MSA assessment area as the bank did not originate any small business loans in the Illinois non-MSA assessment area during the evaluation period. This is primarily a result of First Savings Bank's historical focus on residential lending, as well as economic and other lending-related challenges in the Danville area. Home mortgage lending carried greater weight than small business lending when arriving at overall conclusions due to the higher origination volume by number and dollar amount during the evaluation period. The following table summarizes the total origination volume by year for the two products reviewed.

Loan Products Reviewed			
Loan Category	Year	#	\$(000s)
Home Mortgage	2022	179	38,177
	2023	96	14,142
	2024	144	30,980
Small Business	2024	62	8,004
<i>Source: Bank Data</i>			

As the bank reports home mortgage data pursuant to the Home Mortgage Disclosure Act (HMDA), examiners analyzed all three years of data reported since the previous evaluation; 2022, 2023, and 2024. As home mortgage lending performance was consistent across the three years reviewed, this evaluation presents data for 2024 only, the most recent year for which HMDA aggregate lending data was available. Examiners analyzed all small business loans originated or renewed in 2024, the most recent full calendar year, since the bank is not required to report CRA small business loan data.

Examiners evaluated the bank's home mortgage lending performance through comparisons to 2020 U.S. Census demographic data and 2022 to 2024 HMDA aggregate lending data. Examiners focused primarily on comparisons to HMDA aggregate lending data as this data is more reflective of actual loan demand within the assessment areas. Examiners evaluated small business lending performance through comparisons to 2024 D&B business demographic data. Additionally, while this evaluation presents both the number and dollar volume of loan originations, examiners generally focused on performance by number of loans as this is a better indicator of the number of individuals and businesses served.

Finally, for the Community Development Test, examiners considered all community development loans, qualified investments, and community development services since the previous evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

THSB demonstrated reasonable performance under the Lending Test. Performance under each Lending Test criterion supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs. THSB's net loan-to-deposit ratio, calculated from Call Report data over the past 11 calendar quarters, averaged 65.6 percent throughout the review period. The ratio ranged from a low of 51.8 percent as of December 31, 2022, to a high of 70.6 percent as of September 30, 2023.

Examiners evaluated the loan-to-deposit ratio through comparisons to similarly situated banks, selected based on asset size, geographic location, and lending focus. As shown in the following

table, THSB's average net loan-to-deposit ratio was comparable to the ratios of the three similarly situated banks, reflecting reasonable performance under this criterion.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2025	Average Net Loan-to-Deposit Ratio (%)
The Hometown Savings Bank (Terre Haute, IN)	478,831	65.6
The Napoleon State Bank (Napoleon, IN)	477,613	76.4
Home Bank SB (Martinsville, IN)	433,337	69.6
The City National Bank of Metropolis (Metropolis, IL)	441,891	64.6
<i>Source: Reports of Condition and Income, 12/31/2022 – 06/30/2025</i>		

Assessment Area Concentration

A majority of loans are in the institution's assessment areas. As shown in the following table, THSB originated the majority of home mortgage and small business loans inside the assessment areas in each year of the review period.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	151	84.4	28	15.6	179	26,219	68.7	11,958	31.3	38,177
2023	82	85.4	14	14.6	96	9,814	69.4	4,328	30.6	14,142
2024	114	79.2	30	20.8	144	17,986	58.1	12,994	41.9	30,980
Subtotal	347	82.8	72	17.2	419	54,019	64.8	29,280	35.2	83,299
Small Business										
2024	47	75.8	15	24.2	62	5,690	71.1	2,314	28.9	8,004
Subtotal	47	75.8	15	24.2	62	5,690	71.1	2,314	28.9	8,004
Total	394	81.9	87	18.1	481	59,709	65.4	31,594	34.6	91,303
Source: Imported Bank Data Due to rounding, totals may not equal 100.0%.										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Performance is consistent throughout the rated areas. Refer to the separate assessment area sections of this evaluation for more detailed information.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Performance is consistent throughout the rated areas. Refer to the separate assessment area sections of this evaluation for more detailed information.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

THSB's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity, the need and availability of such opportunities, and historical performance in evaluating THSB's performance. Overall descriptions of THSB's performance for each community development activity are provided in the following sections, and the institution's activities are further discussed within the separate assessment area presentations.

Examiners evaluated THSB's community development performance through comparisons to three similarly situated banks. Examiners selected these banks based on asset size, geographic location, and lending focus.

Community Development Loans

THSB originated 34 community development loans totaling \$11.2 million within the assessment areas during the evaluation period. This level of activity represented 2.3 percent of total assets and 4.0 percent of net loans as of June 30, 2025. THSB's performance represents a decrease in dollar volume but a significant increase in number of loans since the previous evaluation period, during which THSB made 16 community development loans totaling \$16.2 million. As THSB was responsive to the needs of its assessment areas, examiners also considered four qualified loans totaling \$2.0 million that benefitted a broader regional area.

Examiners compared THSB's performance to the performance of three similarly situated banks. As a percentage of total assets and net loans, THSB's level of community development lending was higher than one similarly situated bank, similar to one bank, and below one bank. In comparison, community development loans to total assets ranged from 0.4 percent to 3.4 percent, and community development loans to net loans ranged from 0.7 percent to 6.1 percent for the similarly situated banks.

The following table presents the overall community development lending by year and community development category.

Community Development Lending										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2023	2	90	5	427	2	1,720	5	442	14	2,679
2024	3	1,782	2	450	3	947	4	2,544	12	5,723
2025 (YTD)	4	2,437	0	0	0	0	4	372	8	2,809
Total	9	4,309	7	877	5	2,667	13	3,358	34	11,211
<i>Source: Bank Data</i>										

Qualified Investments

THSB's qualified investments and donations during the evaluation period totaled \$5.1 million, representing 1.1 percent of total assets and 4.1 percent of total securities as of June 30, 2025. Of the three similarly situated banks mentioned previously, THSB's activity exceeded the performance of two and was comparable to the performance of the other. The institutions' qualified investments and donations to total assets ranged from 0.5 percent to 1.1 percent, and qualified investments and donations to total securities ranged from 4.1 percent to 11.1 percent for the similarly situated banks. Qualified investments and donations addressed identified community development needs in the assessment areas.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	750	9	2,773	1	500	1	500	12	4,523
2023	0	0	1	445	0	0	0	0	1	445
2024	0	0	0	0	0	0	0	0	0	0
YTD 2025	0	0	0	0	0	0	0	0	0	0
Subtotal	1	750	10	3,218	1	500	1	500	13	4,968
Qualified Grants & Donations	0	0	89	107	2	5	11	18	102	130
Total	1	750	99	3,325	3	505	12	518	115	5,098
<i>Source: Bank Data</i>										

Community Development Services

During the evaluation period, THSB employees provided 144 instances of community development services to numerous organizations in the assessment areas. THSB staff provided many ongoing community development services during the evaluation period, including serving in leadership positions for community development-related organizations and providing financial expertise to various organizations throughout the assessment areas. The level of community development services provided by THSB significantly exceeded the performance of the three similarly situated banks, which community development services ranged from seven instances to 123 instances. The

following table illustrates THSB’s community development services by year and community development category.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
2023	2	66	2	1	71
2024	0	19	1	1	21
2025 (YTD)	3	45	1	3	52
Total	5	130	4	5	144
<i>Source: Bank Data</i>					

In addition, THSB continues to offer its On-Track Checking product, which is a Bank On-certified checking account. Bank On accounts feature low costs, high functionality, and consumer protections. The On-Track account also includes a financial literacy component that customers must complete with a bank representative prior to account opening. These accounts are particularly beneficial for low- and moderate-income customers that may have limited banking experience. THSB is one of approximately 40 banks in Indiana currently offering this type of certified account. THSB introduced this account immediately prior to the prior evaluation in 2023, at which time the bank had opened three On-Track accounts. Since then, the bank has opened approximately 170 of these accounts, effectively increasing the accessibility of banking services to low- and moderate-income customers throughout the assessment areas.

THSB also maintains full-service offices in low- and moderate-income census tracts, which are further described in the separate assessment area sections of this evaluation.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

INDIANA – Full-Scope Review

CRA RATING FOR INDIANA: SATISFACTORY

The Lending Test is rated: SATISFACTORY

The Community Development Test is rated: SATISFACTORY

DESCRIPTION OF INSTITUTION’S OPERATIONS IN INDIANA

The Indiana rated area contains the vast majority of overall bank operations among the two rated areas. Of THSB’s nine branches, eight branches, and roughly 95.0 percent of overall lending and deposit activity, are in this rated area. Within Indiana, the bank has delineated one assessment area that includes Vigo and Clay counties. Vigo and Clay counties are contiguous and are two of four counties in the broader Terre Haute, Indiana MSA.

Economic and Demographic Data

The assessment area contains 38 census tracts across the two counties. Based on 2020 U.S. Census data, these tracts reflect the following income designations:

- four low-income tracts
- eight moderate-income tracts
- 14 middle-income tracts
- 11 upper-income tracts
- one tract with no income designation

All low- and moderate-income tracts in the assessment area are in Vigo County, in and around downtown Terre Haute. Clay County does not have any low- or moderate-income tracts. The following table details select demographic and economic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	38	10.5	21.1	36.8	29.0	2.6
Population by Geography	132,619	5.6	16.2	43.3	31.8	3.1
Housing Units by Geography	59,124	7.0	17.0	42.2	32.3	1.5
Owner-Occupied Units by Geography	35,235	3.9	11.9	47.3	36.8	0.0
Occupied Rental Units by Geography	17,876	12.0	26.2	35.5	22.6	3.8
Vacant Units by Geography	6,013	10.7	19.4	32.3	34.4	3.3
Businesses by Geography	9,800	7.4	14.7	44.6	28.9	4.5
Farms by Geography	315	1.6	2.2	47.6	48.6	0.0
Family Distribution by Income Level	32,324	21.0	17.1	21.6	40.4	0.0
Household Distribution by Income Level	53,111	24.6	16.3	18.1	41.0	0.0
Median Family Income MSA - 45460 Terre Haute, IN MSA		\$63,192	Median Housing Value			\$ 105,911
			Median Gross Rent			\$761
			Families Below Poverty Level			11.9%
Source: 2020 U.S. Census and 2024 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.						

According to Moody's Analytics, the Terre Haute MSA has faced challenges in recent months, with reduced output in the area's large manufacturing sector. Specifically, manufacturers of automobile parts, which employ a large share of area residents, are facing challenges related to high borrowing costs and weakened demand. Recent job growth has been centered on education and healthcare, with Indiana State University continuing to serve as a source of stability for the local economy. However, declining student enrollment, overall population loss, and low rates of new business formation pose challenges for the Terre Haute region.

Unemployment data obtained from the U.S. Bureau of Labor Statistics shows that the unemployment levels in the assessment area have gradually increased, consistent with state and national unemployment rates. Throughout the evaluation period, Vigo County's unemployment rate was generally higher than Clay County, state, and national average rates. Overall, unemployment rates have been modestly elevated since 2022, as illustrated in the following table.

Unemployment Rates				
Area	2022	2023	2024	July 2025
	%	%	%	%
Vigo County	3.4	3.7	4.4	4.5
Clay County	3.3	3.4	4.1	4.1
State of Indiana	3.1	3.4	4.2	4.2
National Average	3.6	3.6	4	4.2
Source: Bureau of Labor Statistics				

Major employers in the assessment area include Union Hospital Health Care Group, Indiana State University, Amcor Rigid Plastics, Trans-Care, and Terre Haute Regional Hospital.

The analysis of home mortgage loans under the Borrower Profile criterion evaluates the distribution of loans by borrower income level. Income levels are based on the Federal Financial Institutions Examination Council (FFIEC)-adjusted median family income for the Terre Haute MSA. The following table shows the income categories for the assessment area in 2024.

Median Family Income Ranges					
Year	Median Family Income	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥ 120%
2024	\$ 78,900	< \$39,450	\$39,450 to < \$63,120	\$63,120 to < \$94,680	≥ \$94,680
Source: FFIEC					

Competition

There is a moderate level of competition for financial services in the assessment area. According to FDIC deposit market share data as of June 30, 2025, eight FDIC-insured financial institutions operate 38 offices in the assessment area, with \$3.3 billion in total deposits. THSB ranked third in market share with 12.3 percent of total deposits. The top two institutions accounted for 64.9 percent of the deposit market share.

There is a high level of competition in the assessment area for home mortgage loans from mortgage companies, credit unions, and regional and national banks. Based on 2024 HMDA aggregate lending data, 228 lenders originated or purchased 4,471 home mortgage loans in the assessment area. THSB ranked eighth with 3.1 percent of the market share. The top three lenders accounted for 28.6 percent of the home mortgage lending market share.

There is a moderate level of competition in the assessment area 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 lending data. The aggregate lending data, however, reflects the level of competition for small business loans. Aggregate lending data for 2023, the most recent year of available data, shows that 58 institutions

originated 1,393 small business loans within the assessment area. The five most prominent small business lenders accounted for 68.1 percent of all originations.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area 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 development-related organization. The contact stated that local economic conditions have improved after the COVID-19 pandemic. Community plans are in place to improve tourism and economic development, and Vigo County is in a growth phase. The contact stated that the availability of the local housing stock is insufficient, resulting in increased homelessness. The contact noted that inflation and elevated interest rates have negatively impacted housing affordability. The contact positively noted THSB's performance in meeting local needs, including programs for down payment assistance targeted to low-income borrowers, as well as actively participating in various community initiatives. According to the contact, national banks in the area do not participate in community initiatives as vigorously.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business loans represent primary credit needs of the assessment area. Affordable housing is particularly needed given rising costs and the area's insufficient housing stock. Revitalization and stabilization needs exist in the area's low- and moderate-income census tracts, most of which are in and around downtown Terre Haute. Finally, with more than 38.0 percent of assessment area families considered low- or moderate-income, community services for these populations remain needed.

SCOPE OF EVALUATION – INDIANA

The scope of evaluation for the Indiana rated area is the same as the overall scope of evaluation for the institution.

CONCLUSIONS ON PERFORMANCE CRITERIA IN INDIANA

LENDING TEST

THSB demonstrated reasonable performance under the Lending Test in the Terre Haute MSA assessment area. Geographic Distribution and Borrower Profile performance supports this conclusion.

Geographic Distribution

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

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, the bank's performance in low-income tracts was comparable to aggregate lending data. In moderate-income tracts, the bank exceeded aggregate lending data. Overall performance under this criterion is reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner Occupied Housing Units	HMDA Aggregate % of #	#	%	\$(000s)	%
Low	3.9	4.7	5	4.6	253	1.5
Moderate	11.9	15.2	23	21.1	4,181	24.0
Middle	47.3	45.5	48	44.0	6,720	38.6
Upper	36.8	34.6	33	30.3	6,273	36.0
Total	100.0	100.0	109	100.0	17,427	100.0
<i>Source: 2020 Census; Imported Bank Data; 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%.</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion within the assessment area. As shown in the following table, the bank's performance in low-income tracts was excellent, exceeding the demographic data by more than 50 percent. The bank's performance in moderate-income tracts significantly trailed the demographic data. However, given the strong performance in low-income tracts, overall performance under this criterion is reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	7.4	8	17.0	316	5.6
Moderate	14.7	3	6.4	213	3.7
Middle	44.6	21	44.7	3,045	53.5
Upper	28.9	12	25.5	1,266	22.3
NA	4.5	3	6.4	850	14.9
Total	100.0	47	100.0	5,690	100.0
Source: 2024 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%.					

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. As shown in the following table, lending to both low- and moderate-income borrowers trailed aggregate lending and demographic data. However, THSB's performance is skewed by a large percentage of loans, over 40.0 percent, originated to borrowers with incomes reported as "not applicable." These are primarily commercial borrowers obtaining financing for multifamily and other rental properties. Given the presence of Indiana State University, Terre Haute has a larger percentage of rental housing than many other cities of the same size. Excluding these loans, THSB's lending to low-income borrowers is comparable to aggregate lending data, and lending to moderate-income borrowers is only slightly below the aggregate performance.

Examiners noted that 11.9 percent of families in the assessment area have incomes below the poverty level. These families typically face difficulty qualifying for and servicing debt in amounts sufficient to finance homes in the assessment area. Examiners also noted that the community contact, discussed previously in this evaluation, identified insufficient housing stock in the assessment area. Furthermore, the increase in inflation and interest rates only add to housing unaffordability. These factors affect lending opportunities for the bank and other lenders in the assessment area. Given the large number of loans originated to commercial borrowers, as well as the other mitigating factors discussed here, performance under this criterion is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	HMDA Aggregate % of #	#	%	\$(000s)	%
Low	21.0	9.8	6	5.5	439	2.5
Moderate	17.1	23.6	11	10.1	1,365	7.8
Middle	21.6	20.5	17	15.6	2,028	11.6
Upper	40.4	30.1	30	27.5	6,179	35.5
NA	0.0	16.1	45	41.3	7,416	42.6
Total	100.0	100.0	109	100.0	17,427	100.0
Source: 2020 Census; Imported Bank Data; 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%.						

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 \$1.0 million or less trails the percentage of businesses. The percentage of businesses, however, is not necessarily indicative of small business loan demand. Smaller businesses may seek alternative forms of financing, such as credit cards or home equity lines of credit (HELOCs). In 2024, the bank originated 138 HELOCs. Examiners confirmed that many of these HELOCs were used as credit lines for small businesses. Additionally, this evaluation does not include direct comparisons to CRA small business aggregate lending data given that THSB is not required to report this data. However, aggregate lending to businesses with revenues of \$1.0 million or less also significantly trails the demographic data. Given these performance context factors, THSB's performance under this criterion is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	84.3	27	57.4	3,204	56.3
> \$1,000,000	3.6	20	42.6	2,486	43.7
Revenue Not Available	12.1	0	0.0	0	0.0
Total	100.0	47	100.0	5,690	100.0
Source: 2024 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%.					

COMMUNITY DEVELOPMENT TEST

The bank's community development activities demonstrated satisfactory responsiveness to the community development needs of its assessment area, 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

Community Development Lending										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2023	2	90	5	427	2	1,720	5	442	14	2,679
2024	3	1,782	0	0	3	947	4	2,544	10	5,273
2025 (YTD)	2	920	0	0	0	0	4	372	6	1,292
Total	7	2,792	5	427	5	2,667	13	3,358	30	9,244
<i>Source: Bank Data</i>										

THSB originated 30 community development loans totaling \$9.2 million within this assessment area during the evaluation period. These community development loans addressed various identified needs in the assessment area, including affordable housing and revitalization of low- and moderate-income areas. Notable examples of the bank’s community development loans include the following:

- An \$800,000 loan to finance the cost of an affordable housing complex built in a low-income census tract.
- A \$1.4 million loan that supported revitalization of a vacant commercial building in downtown Terre Haute.

Qualified Investments

THSB’s qualified investments during the evaluation period totaled \$5.1 million for this assessment area, including \$129,000 in qualified donations. Qualified investments and donations supported all four community development categories, especially community services for low- and moderate-income individuals. The following table provides a breakdown of qualified investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	750	9	2,773	1	500	1	500	12	4,523
2023	0	0	1	445	0	0	0	0	1	445
2024	0	0	0	0	0	0	0	0	0	0
YTD 2025	0	0	0	0	0	0	0	0	0	0
Subtotal	1	750	10	3,218	1	500	1	500	13	4,968
Qualified Grants & Donations	0	0	88	106	2	5	11	18	101	129
Total	1	750	98	3,324	3	505	12	518	114	5,097
<i>Source: Bank Data</i>										

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

- A \$665,000 bond that helped finance construction and renovation for a school corporation where most students qualify for free or reduced-price meals.
- A \$750,000 bond issued by a state housing agency that helped provide financing for affordable housing for low- and moderate-income individuals.

Community Development Services

During the evaluation period, THSB employees provided 136 instances of community development services to numerous organizations in this assessment area. Staff provided frequent community development services during the evaluation period including serving in leadership positions and providing financial expertise to various organizations throughout the assessment area. 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	Total
2023	2	66	2	1	71
2024	0	19	1	1	21
2025 (YTD)	3	39	1	1	44
Total	5	124	4	3	136
<i>Source: Bank Data</i>					

Notable examples of the bank's community development services include the following:

- A bank employee served as treasurer of a community center that provides educational, health, social, and recreational services to low- and moderate-income individuals in the Terre Haute area.
- A bank employee served as a Board member and on several committees of a nonprofit

community foundation. The organization funds various community development, education, and human services for low-and-moderate-income people.

- Multiple bank employees provided financial literacy education targeted to low- and moderate-income students.
- THSB participates in various initiatives to increase the housing supply for low-and-moderate-income individuals. Bank staff participate by hosting sessions for planning and financing discussions.

Furthermore, THSB maintains a full-service branch in a moderate-income tract in West Terre Haute. Of the other locations in Terre Haute, four branches are in tracts immediately adjacent to low- or moderate-income tracts. For example, the bank's main office, in downtown Terre Haute, is in a tract with no income designation. However, this tract is immediately adjacent to two low-income tracts and four moderate-income tracts. As such, the bank's office locations effectively promote the accessibility of banking services to low- and moderate-income individuals in the assessment area.

ILLINOIS – Full-Scope Review

CRA RATING FOR ILLINOIS: SATISFACTORY

The Lending Test is rated: SATISFACTORY

The Community Development Test is rated: SATISFACTORY

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ILLINOIS

The Illinois rated area includes one assessment area that consists of the entirety of Vermilion County, Illinois, which is approximately 60 miles northwest of Terre Haute, Indiana. THSB operates one full-service office in this assessment area and entered this market as a result of the First Savings Bank acquisition in late 2023. Vermilion County previously made up the Danville, Illinois MSA but became a nonmetropolitan county in 2024 due to continued population loss in Danville.

Economic and Demographic Data

The assessment area contains all 24 census tracts in Vermilion County. According to 2020 U.S. Census data, these tracts reflect the following income designations:

- four low-income tracts
- two moderate-income tracts
- 16 middle-income tracts
- one upper-income tract
- one tract with no income designation

The low and moderate-income tracts are mostly contiguous and located in Danville in the east-central portion of the county. The tract with no income designation is also located in downtown Danville.

The following table details select demographic and economic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	N/A* % of #
Geographies (Census Tracts)	24	16.7	8.3	66.7	4.2	4.2
Population by Geography	74,188	11.8	13.9	67.6	4.8	1.8
Housing Units by Geography	36,035	13.3	13.0	66.1	5.5	2.1
Owner-Occupied Units by Geography	21,964	7.8	10.9	73.5	6.1	1.7
Occupied Rental Units by Geography	9,049	21.9	15.8	55.1	4.6	2.5
Vacant Units by Geography	5,022	21.8	16.8	53.9	4.3	3.2
Businesses by Geography	4,469	18.3	10.7	62.7	6.0	2.3
Farms by Geography	292	1.0	1.4	95.9	1.7	0.0
Family Distribution by Income Level	19,041	26.9	18.4	19.5	35.3	0.0
Household Distribution by Income Level	31,013	27.1	18.0	17.7	37.3	0.0
Illinois Non-MSA Median Family Income		\$67,835	Median Housing Value			\$ 80,259
			Median Gross Rent			\$664
			Families Below Poverty Level			14.7%
Source: 2020 Census And 2024 D&B Data (*) The NA category consists of geographies that have Not been assigned an income classification. Due to rounding, totals may not equal 100%.						

Danville continues to face significant challenges. Moody’s Analytics notes that local economic growth remains sluggish, with Danville lagging the performance of regional peers. The area faces numerous struggles, including high unemployment rates, a declining population, and low educational attainment rates. Danville remains reliant on the manufacturing sector, including the manufacturing of automobile parts and food processing. Top employers include the Danville Veterans Affairs Medical Center and McLane Company, which operates a food distribution center in Danville. Quaker Oats, a division of PepsiCo, previously operated a manufacturing facility in Danville but closed the facility in mid-2024, eliminating more than 500 jobs and significantly impacting an already distressed local economy.

Vermilion County’s population continues to decline. According to the 2020 U.S. Census, the total population decreased by more than 6,000, or approximately 7.7 percent, compared to 2015 American Community Survey data. There is an outflow of migration with people leaving for bigger nearby cities including Chicago, Champaign, and Terre Haute.

Nearly 15.0 percent of Vermilion County residents live below the poverty line. All 16 middle-income tracts in the county are designated as distressed by the FFIEC during the evaluation period

due to both high unemployment and sustained population loss. Compared to the Terre Haute MSA assessment area, Vermilion County has a significantly lower median housing value, higher unemployment, and higher percentage of families below the poverty level. Furthermore, Vermilion County's unemployment rate was 6.0 percent in 2024, higher than the Illinois statewide rate of 5.0 percent and higher than rates in Indiana and the Terre Haute MSA assessment area.

The following table presents the Illinois non-MSA assessment area's median family income levels for 2024, as estimated by the FFIEC.

Estimated Median Family Income Ranges					
Year	MFI	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥ 120%
2024	\$ 82,800	< \$41,400	\$41,400 to < \$66,240	\$66,240 to < \$99,360	≥ \$99,360
Source: FFIEC					

Competition

Given the area's declining population and distressed local economy, the assessment area has a high level of competition in the market for financial services. According to FDIC deposit market share data as of June 30, 2025, 14 banks operated 25 offices in the assessment area. THSB ranked 11th with 1.6 percent deposit market share. The top three banks in the assessment area are nationally chartered banks that collectively hold nearly two thirds of total assessment area deposits.

According to HMDA aggregate lending data, 154 lenders reported 1,633 home mortgage loans originated or purchased in 2024. THSB was tied for 43rd with a 0.4 percent market share. The top five banks collectively had a 32.6 percent market share in Vermilion County by number of originated or purchased loans. Furthermore, according to 2023 CRA aggregate lending data, 45 lenders reported 644 small business loans originated or purchased.

Community Contacts

Examiners contacted a representative of a non-profit organization in the assessment area. The contact noted the current unoptimistic conditions of Danville, particularly employment troubles and housing unaffordability. The contact stated that many residents struggle to meet credit requirements due to the high level of poverty. She noted that some local banks donate to the organization, and local banks have made efforts to increase lending and make loans where possible despite the unfavorable economic conditions.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that home mortgage and small business loans represent primary credit needs in the assessment area. Given the struggling local economy in Danville, all community development categories represent primary and significant needs, including affordable

housing, economic development, community services for low- and moderate-income individuals, and revitalization of low-income, moderate-income, and distressed middle-income geographies. As noted by the community contact, need is especially pronounced among lower-income residents that may struggle to qualify for financing.

SCOPE OF EVALUATION – ILLINOIS

The scope of evaluation for the Illinois non-MSA assessment area is similar to the overall scope of evaluation for the institution. However, examiners only reviewed home mortgage lending in this assessment area due to the bank’s lack of small business lending to date. Additionally, examiners reviewed lending data from 2024 only given that THSB did not enter this market until late 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ILLINOIS

LENDING TEST

THSB demonstrated reasonable performance under the Lending Test in the Illinois non-MSA assessment area. Geographic Distribution and Borrower Profile performance support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable performance throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Although the bank did not originate any home mortgage loans in low- or moderate-income tracts, this is reasonable given the assessment area’s demographics, limited lending opportunities as a result of economic challenges, and the THSB’s low overall volume of lending in this assessment area to date.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner Occupied Housing Units	HMDA Aggregate % of #	#	%	\$(000s)	%
Low	7.8	4.4	0	0.0	0	0.0
Moderate	10.9	10.1	0	0.0	0	0.0
Middle	73.5	77.6	5	100.0	559	100.0
Upper	6.1	7.1	0	0.0	0	0.0
NA	1.7	0.8	0	0.0	0	0.0
Total	100.0	100.0	5	100.0	559	100.0
<i>Source: 2020 Census; Imported Bank Data; 2022, 2023, 2024 HMDA Aggregate Data</i> <i>Due to rounding, totals may not equal 100.0%.</i>						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels.

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. The bank originated one loan to a low-income borrower and no loans to moderate-income borrowers. Given that the bank only originated five home mortgage loans in this assessment area in 2024, along with the assessment area's economic conditions and limited lending opportunities, performance under this criterion is reasonable.

Additionally, in 2024, the bank approved several applications in Illinois under its low-down payment mortgage program, Paving The Way, which is targeted toward low- and moderate-income borrowers. However, these borrowers did not have the resources necessary to make large capital improvements to the properties. Thus, the loans were withdrawn after failed inspections. However, these loan approvals evidence THSB's commitment to serving low- and moderate-income residents of Vermilion County and further support reasonable performance under this criterion.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	HMDA Aggregate % of #	#	%	\$(000s)	%
Low						
2024	26.9	12.9	1	20.0	58	10.4
Moderate						
2024	18.4	25.5	0	0.0	0	0.0
Middle						
2024	19.5	19.2	2	40.0	169	30.2
Upper						
2024	35.3	22.8	2	40.0	332	59.4
NA						
2024	0.0	19.7	0	0.0	0	0.0
Total						
2024	100.0	100.0	5	100.0	559	100.0
<i>Source: 2020 Census; Imported Bank Data; 2022, 2023, 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%.</i>						

COMMUNITY DEVELOPMENT TEST

THSB demonstrated adequate responsiveness to the community development needs of the Illinois non-MSA assessment area through qualified investments and community development services. Although the volume of qualified investments in this assessment area was limited, examiners considered the bank's new presence in the Danville market, along with the fact that a very small percentage of overall bank lending and deposit activity to date is in this assessment area. However,

THSB demonstrated comparatively stronger community development service performance in this assessment area, supporting the overall Satisfactory Community Development Test rating for the Illinois rated area.

Community Development Loans

THSB did not make any community development loans during the evaluation period within this assessment area.

Qualified Investments

THSB made one qualified donation of \$300 in this assessment area in 2024. This donation supported a community organization that provides various services to disabled low- and moderate-income individuals in a distressed area.

Community Development Services

THSB provided eight instances of community development services in this assessment area. The services included bank personnel serving as board members of community development-related organizations, providing financial literacy education to low- and moderate-income individuals, and supporting revitalization initiatives in low- and moderate-income neighborhoods.

Additionally, THSB's Danville office is in a low-income tract that is in close proximity to several other low- and moderate-income tracts in the downtown Danville area. This office location helps promote the accessibility of banking services to low- and moderate-income residents of this economically depressed area.

Furthermore, in addition to the eight community development services mentioned previously, THSB assumed a portfolio of forgivable Federal Home Loan Bank of Chicago grants from its acquisition of First Savings Bank. The grants were made to low- and moderate-income home mortgage borrowers and ranged from \$6,000 to \$10,000, forgivable five years after loan origination if certain conditions are met. THSB continues to provide oversight of these grants on behalf of the Federal Home Loan Bank of Chicago, including monitoring grant forgiveness eligibility and releasing the grant retention agreement once borrowers met certain eligibility criteria. THSB's efforts help ensure that low- and moderate-income borrowers in Danville can remain in their homes and avoid grant repayment.

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.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
INDIANA	Satisfactory	Satisfactory	Satisfactory
ILLINOIS	Satisfactory	Satisfactory	Satisfactory

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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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.