

# **PUBLIC DISCLOSURE**

May 6, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Hickory Point Bank and Trust  
Certificate Number: 22874

225 North Water Street  
Decatur, Illinois 62523

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

**The Community Development Test is rated Satisfactory.**

- The institution's community development performance demonstrates adequate responsiveness to community development needs in its AAs 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 AAs.

## DESCRIPTION OF INSTITUTION

### **Background**

Hickory Point Bank and Trust (HPB) is a \$777 million full-service community bank. HPB is wholly owned by HPB Holdings, Inc.; a savings and loan holding company. First Illinois Corporation, a one-bank holding company, owns 100 percent of HPB Holdings, Inc. Additionally, HPB holds a 1.96 percent ownership interest in Illinois Real Estate Title Center, LLC. The institution received a Satisfactory rating at its previous FDIC CRA Performance Evaluation dated March 31, 2021, utilizing Interagency Intermediate Small Institution Examination Procedures.

### **Operations**

HPB operates ten full-service branch offices throughout seven counties in Illinois. The main office is located in Decatur, IL (Macon County). The bank has operations in the Decatur, IL Metropolitan Statistical Area (MSA) (6 offices), the Champaign-Urbana, IL MSA (1 office), the Peoria, IL MSA (2 offices), and the Springfield, IL MSA (1 office). No branches were opened or closed, and no merger or acquisition activities occurred since the previous evaluation.

The bank focuses on commercial and residential lending, but also offers a variety of additional loan products including construction, consumer, and agricultural. Deposit products include checking, savings, money market, and certificate of deposit accounts. The bank offers investment advisory and trust services. Alternative delivery systems include internet and mobile banking, mobile deposits, electronic bill-pay, and 12 bank-owned automated teller machines (ATMs).

Various loan programs are offered that may be particularly beneficial for low- and moderate – income borrowers. HPB continues to provide credit product offerings through the Federal Housing Administration (FHA), United States Department of Veteran's Affairs (VA), and United States Department of Agriculture (USDA) Rural Housing loan programs through a referral program to a third party. These programs generally allow lower down payments and have more flexible guidelines than conventional loans. For these loans, bank employees help facilitate the applications and ensure borrowers have all the required documentation, and often attend loan closings with the borrowers. Although originations under this arrangement are not directly reflected in the bank's performance, its efforts to offer these programs help demonstrate a commitment to meeting the credit needs in the AA. During the review period, HPB assisted in the origination of 27 loans totaling approximately \$3.8 million.

HPB also participates in the Federal Home Loan Bank (FHLB) of Chicago's Down Payment Plus program that provides grants to eligible first time home buyers. During this review period, the bank assisted in securing grants for 31 borrowers totaling \$251,976. These types of loans particularly benefit low- and moderate-income borrowers.

### **Ability and Capacity**

Since the previous evaluation, total assets, net loans, and total deposits reflected an increase of 0.2, 17.5, and 6.4 percent, respectively. As of the March 31, 2024, Consolidated Reports of Condition and Income (Call Reports), the bank reported total assets of \$777 million, total net loans of \$485 million, total deposits of \$683 million, and total securities of \$136 million. In addition, the bank reported a Return on Average Assets of 0.6 percent and a Tier 1 Leverage Capital Ratio of 5.1

percent. Based on the bank’s loan portfolio and level of originations discussed within the following sections, the bank’s primary lending focus is home mortgage and small business lending. The bank’s loan portfolio as of March 31, 2024 is detailed in the following table.

<b>Loan Portfolio Distribution as of 03/31/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	63,253	12.9
Secured by Farmland	13,161	2.7
Secured by 1-4 Family Residential Properties	71,274	14.6
Secured by Multifamily (5 or more) Residential Properties	121,189	24.7
Secured by Nonfarm Nonresidential Properties	179,434	36.6
<b>Total Real Estate Loans</b>	<b>448,311</b>	<b>91.5</b>
Commercial and Industrial Loans	27,626	5.6
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	492	0.1
Obligations of State and Political Subdivisions in the U.S.	2,344	0.5
Other Loans	11,239	2.3
Lease Financing Receivable (net of unearned income)	0	0
Less: Unearned Income	0	0
<b>Total Loans</b>	<b>490,012</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

This table does not include home mortgage loans that were originated by HPB and then sold into the secondary market. The bank maintains the servicing on these loans. Since the previous evaluation, the bank sold 697 loans totaling over \$116.7 million.

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

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. HPB designated four separate AAs throughout the State of Illinois, in which all its operations are based. The composition of the AAs and branch locations are noted below.

- **Decatur, IL MSA:** All 37 census tracts in Macon County, Illinois. The main branch and five other branches are located in this AA.
- **Champaign-Urbana, IL MSA:** All 52 census tracts in Champaign and Piatt Counties in Illinois. One branch is located in this AA.
- **Peoria, IL MSA:** All 54 census tracts in Peoria and Marshall Counties in Illinois. Two branches are located in this AA.
- **Springfield, IL MSA:** All 57 census tracts in Menard and Sangamon Counties in Illinois. One branch is located in this AA.

The AAs include contiguous census tracts, conform to CRA regulatory requirements, and do not arbitrarily exclude any low- or moderate-income geographies. Management has made no changes to the bank’s delineated AAs since the last evaluation. Refer to the individual AA sections of this evaluation for a more detailed description of each AA.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the previous evaluation dated March 31, 2021, to the current evaluation dated May 6, 2024. Examiners used the Interagency Intermediate Small Institution Procedures to evaluate HPB’s CRA performance. These procedures include the Lending Test and Community Development Test (See Appendices). Financial institutions must achieve a Satisfactory rating under each of these tests to obtain an overall Satisfactory rating.

Examiners applied full-scope procedures at the current evaluation due to the volume of lending and deposit market share for all four AAs. A more detailed discussion of each AA, including economic and demographic data, competition, and community contacts, is located in the individual MSA sections of this evaluation.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Outstanding Loan Balances		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Decatur, IL MSA AA	48,628	15.5	469,667	76.7	6	60.0
Champaign-Urbana, IL MSA AA	210,086	67.1	60,565	9.8	1	10.0
Peoria, IL MSA AA	12,520	4.0	19,367	3.2	2	20.0
Springfield, IL MSA AA	42,006	13.4	62,948	10.3	1	10.0
<b>Total</b>	<b>313,244</b>	<b>100.0</b>	<b>612,547</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>

*Sources: FDIC Summary of Deposits (6/30/23); Bank Data as of 3/31/2024.*

The bank’s performance in the Decatur, IL MSA and Champaign-Urbana, IL AAs continue to carry the greatest weight in the overall rating, as these AAs have the greatest volume of lending and derive a substantial majority of its deposits. The performance in these two AAs is followed in weight by the Springfield IL MSA and then the Peoria IL MSA. Additionally, HPB holds a significant deposit market share in the Decatur, IL MSA, and the vast majority of the branches and ATMs are in this AA.

### Activities Reviewed

Examiners determined that the bank’s major product lines continue to be home mortgage and small business loans. This conclusion considers the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. Bank records, Call Report data and interviews with management indicated that the lending focus and product mix remained relatively consistent throughout the evaluation period. Examiners analyzed all home mortgage and small business loan activity and did not identify any trends that materially affected the conclusions.

Home mortgage lending carries the most weight in this evaluation since lending volume and focus is greater for this product. Examiners did not analyze any other loan types, such as small farm or consumer loans, because they do not represent major product lines, are not a significant portion of lending, and would not provide material support for conclusions or ratings.

This evaluation considered and analyzed all home mortgage loans reported on the 2022 and 2023 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. The 2020 U.S. Census data and aggregate lending data for 2022 provided a standard of comparison for the bank's home mortgage lending performance.

HPB is not required to collect and report data on small business loan activity. Consequently, examiners used bank records and selected a sample of 45 small business loans totaling \$14.7 million from a universe of 91 small business loans totaling \$26.9 million originated in 2023. Examiners also selected a sample of 45 small business loans totaling \$14.5 million from a universe of 94 small business loans totaling \$26.0 million originated in 2022. Examiners considered this time period representative of the bank's performance during the entire evaluation period for small business lending. D&B data for 2022 and 2023 is used as a comparative factor for small business lending performance.

Finally, while the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses and individuals served in the AAs. Within the Geographic Distribution and Borrower Profile criterion, examiners considered only those loans originated within the AAs.

Community development loans, qualified investments, and community development services initiated or maintained by the bank since the previous CRA performance evaluation were considered under the Community Development Test.

### **Community Contact**

As part of the evaluation process, examiners referred to recent contacts with third parties active in the AAs to assist in identifying the credit and community development needs and opportunities, as well as to determine whether local financial institutions are responsive to those needs. Examiners considered four community contacts conducted in the 12 months prior to the current evaluation. None of the contacts identified any significant unmet credit and community development needs in any of the AAs. Comments from the community contacts are included in the appropriate AA sections of the evaluation.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

HPB demonstrated reasonable performance under the Lending Test. Performance under the AA Concentration, LTD Ratio, Geographic Distribution, and Borrower Profile supports this conclusion.

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

The LTD ratio is reasonable given the institution’s size, financial condition, and loan portfolio concentration. The LTD ratio, calculated from Call Report data, averaged 64.7 percent over the past 13 calendar quarters from March 31, 2021 to March 31, 2024. The ratio ranged from a high of 72.7 percent as of June 30, 2023 to a low of 56.4 percent as of March 31, 2022. The LTD ratio was under 70 percent for all quarters prior to June 30, 2023 but has shown improvement since then, being above 70 percent three of the last four quarters. HPB has eleven depositors that hold 12.7 percent of the bank’s total deposits, or \$87 million. This indicates the potential for large withdrawals that could impact the bank’s deposit balances at any time. Also, during the evaluation period, HPB originated and sold 670 mortgage loans totaling \$112.9 million which is not captured in the LTD ratio and reflects the bank’s efforts to originate loans.

Examiners evaluated HPB’s LTD ratio by comparing it to similarly-situated financial institutions (SSIs). The SSIs include banks based on similar asset size, geographic location, and product focus. As shown in the table, HPB maintained a slightly lower LTD ratio than the comparable institutions. Given the aforementioned factors, HPB’s LTD ratio is considered reasonable. The following table provides additional details.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 3/31/2024 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Hickory Point Bank and Trust</b>	<b>776,806</b>	<b>64.7</b>
Similarly-Situated Institution #1	770,382	67.3
Similarly-Situated Institution #2	722,150	92.6
Similarly-Situated Institution #3	1,547,850	93.0
Similarly-Situated Institution #4	491,438	72.4
Similarly-Situated Institution #5	616,293	74.3

*Source: Reports of Condition and Income 3/31/2021 – 3/31/2024*

### **Assessment Area Concentration**

A majority of home mortgage and small business loans by number and dollar volume are inside the bank’s AAs. Refer to the following table for additional information.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	267	91.4	25	8.6	292	87,812	95.8	3,848	4.2	91,660
2023	204	83.6	40	16.4	244	53,801	86.9	8,118	13.1	61,919
<b>Total</b>	<b>471</b>	<b>87.9</b>	<b>65</b>	<b>12.1</b>	<b>536</b>	<b>141,613</b>	<b>92.2</b>	<b>11,966</b>	<b>7.8</b>	<b>153,579</b>
Small Business										
2022	37	82.2	8	17.8	45	11,366	78.6	3,099	21.4	14,465
2023	40	88.9	5	11.1	45	12,100	82.5	2,571	17.5	14,671
<b>Total</b>	<b>77</b>	<b>85.5</b>	<b>13</b>	<b>14.5</b>	<b>90</b>	<b>23,466</b>	<b>80.5</b>	<b>5,670</b>	<b>19.5</b>	<b>29,136</b>
<i>Sources: Bank Data, 2022-2023 HMDA Reported Data, 2022 and 2023 Bank Records 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 AAs. Only loans originated within the AAs were considered for this criterion. This conclusion considers the lending volume of originated home mortgage and small business loans within each AA; the level of competition; and a comparison to aggregate and demographic lending data. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts. Conclusions and supporting data for performance in each AA are discussed later in the evaluation.

### **Borrower Profile**

The distribution of home mortgage and small business loans reflects reasonable penetration to borrowers of different income levels (including low- and moderate-income) and businesses of different sizes. Only loans originated within the AAs are considered under this criterion. Examiners focused on the percentage by number of small business loans to businesses with gross annual revenues (GARs) of \$1 million or less and the percentage by number of home mortgage loans to low- and moderate-income borrowers. Conclusions and supporting data for performance in each AA are discussed later in this evaluation.

### **Response to Complaints**

The institution has not received any CRA-related complaints since the last evaluation; therefore, this criterion did not affect the Lending Test rating.

## **COMMUNITY DEVELOPMENT TEST**

HPB demonstrated adequate responsiveness to the community development needs of its AAs through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's AAs. Examiners compared the bank's community development activities to seven other SSIs operating within the institution's AAs and that were

recently evaluated for CRA community development performance. These banks had total assets ranging from \$457.6 million to \$12.8 billion and all were rated Satisfactory for their performance in the Illinois AAs. More weight was given to HPB’s performance in each individual AA compared to the SSIs rather than the overall performance.

**Community Development Loans**

HPB originated 23 community development loans totaling \$12.3 million during the evaluation period. This activity represents 2.9 percent of average net loans and 1.7 percent of average assets since the previous evaluation.

The institution’s level of community development lending was compared to the seven SSIs and evaluated for CRA during the current review period. SSIs had community development loans to average net loans ratios ranging from 2.2 to 15.5 percent and to average assets ratios ranging from 1.7 to 10.8 percent. While the ratios are on the lower end of the SSI’s ratios, the bank’s level of community development lending was in line with the comparative banks.

The following two tables summarize the bank’s community development lending activity since the last evaluation. The first table contains the bank’s community development lending activity by year and purpose, while the second table illustrates the bank’s activity by AA and purpose.

<b>Community Development Lending Overall</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
3/31/2021-12/31/2021	6	3,608	-	-	-	-	-	-	6	3,608
2022	5	1,280	3	3,150	-	-	-	-	8	4,430
2023	6	3,468	1	250	-	-	-	-	7	3,718
YTD 2024	1	500	-	-	1	75	-	-	2	575
<b>Total</b>	<b>18</b>	<b>8,856</b>	<b>4</b>	<b>3,400</b>	<b>1</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>12,331</b>

*Source: Bank Data*

<b>Community Development Lending by Assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Decatur, IL MSA	1	400	1	250	-	-	-	-	2	650
Champaign-Urbana, IL MSA	15	6,993	1	1,620	1	75	-	-	17	8,688
Peoria, IL MSA	1	23	-	-	-	-	-	-	1	23
Springfield, IL MSA	-	-	2	1,530	-	-	-	-	2	1,530
Statewide Activities	1	1,440	-	-	-	-	-	-	1	1,440
<b>Total</b>	<b>18</b>	<b>8,856</b>	<b>4</b>	<b>3,400</b>	<b>1</b>	<b>75</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>12,331</b>

*Source: Bank Data*

**Qualified Investments**

HPB made 205 qualified investments totaling approximately \$1.9 million, which includes qualified grants and donations. This dollar amount equates to 0.3 percent of average total assets since the last evaluation and 1.0 percent of average total securities.

The institution’s level of qualified investments was compared to the same seven SSIs and evaluated for CRA during the current review period. These banks had qualified investments to average total assets ranging from 0.3 percent to 6.5 percent. In addition, the SSIs had qualified investments to average total securities ranging from 1.4 percent to 22.0 percent. Both of HPB’s qualified investment ratios were below that of the SSIs.

The following tables illustrate HPB’s qualified investment activity by year, purpose and by AA. Further discussion of the bank’s qualified investments can be found in the separate AA sections of this evaluation.

Qualified Investments and Grants Overall										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	15	1,544	-	-	-	-	-	-	15	1,544
3/31/2021-12/31/2021	-	-	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-	-	-
YTD 2024	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>15</b>	<b>1,544</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>1,544</b>
Qualified Grants & Donations	3	3	173	285	-	-	14	29	190	316
<b>Total</b>	<b>18</b>	<b>1,547</b>	<b>173</b>	<b>285</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>29</b>	<b>205</b>	<b>1,861</b>

*Source: Bank Data*

Qualified Investments and Grants by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Decatur, IL MSA	3	149	90	140	-	-	5	8	98	297
Champaign-Urbana, IL MSA	4	371	38	76	-	-	4	12	46	459
Peoria, IL MSA	4	212	9	5	-	-	-	-	13	217
Springfield, IL MSA	4	416	36	64	-	-	5	9	45	489
Statewide Activities	3	399	-	-	-	-	-	-	3	399
<b>Total</b>	<b>18</b>	<b>1,547</b>	<b>173</b>	<b>285</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>29</b>	<b>205</b>	<b>1,861</b>

*Source: Bank Data*

**Community Development Services**

During the evaluation period, bank employees provided 65 instances of financial expertise or technical assistance to various different community-development-related organizations in the AAs. Although on the lower end, the bank’s level of community development services is comparable to the seven SSIs used in the community development portion of this evaluation. These banks had qualified services ranging from 28 to 1,159, overall (28, 65, 81, 104, 327, 595, and 1,159). The following tables illustrate the bank’s community development services by year, purpose and AA.

<b>Community Development Services Overall</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
3/31/2021-12/31/2021	3	16	-	-	<b>19</b>
2022	4	15	-	-	<b>19</b>
2023	6	20	1	-	<b>27</b>
YTD 2024	-	-	-	-	-
<b>Total</b>	<b>13</b>	<b>51</b>	<b>1</b>	<b>-</b>	<b>65</b>
<i>Source: Bank Data</i>					

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Decatur, IL MSA	5	21	-	-	<b>26</b>
Champaign-Urbana, IL MSA	4	13	1	-	<b>18</b>
Peoria, IL MSA	-	2	-	-	<b>2</b>
Springfield, IL MSA	4	15	-	-	<b>19</b>
<b>Total</b>	<b>13</b>	<b>51</b>	<b>1</b>	<b>-</b>	<b>65</b>
<i>Source: Bank Data</i>					

**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 Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices.

## **DECATUR, IL MSA #19500 AA - Full-Scope Review**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE DECATUR, IL MSA AA**

A full-scope review of the bank's performance in its Decatur, IL MSA #19500 (Decatur MSA) AA was performed. As of June 30, 2023, approximately 76.7 percent of the bank's total deposits were derived from this AA, which is the highest concentration of deposits between all four AAs. In 2022, the bank originated 23.2 percent of its home mortgage loans, by number, in this AA. In 2023, 37.0 percent of its small business loans, by number, were originated in this AA.

HPB designated all of the Decatur MSA as one of its AAs, which consists of Macon County. The bank operates six full-service banking offices in this area, the most locations than any of its AAs. This AA also has eight of the bank's ATMs. Of the six locations, two are located in low-, one in a moderate-, two in middle-, and one in an upper-income census tract. This is a change from the last evaluation, based on the 2015 American Community Survey (ACS) Data, when the bank had one office in both low- and moderate-income census tracts with the remaining offices in middle- and upper-income census tracts. Based on the significant number of branches and volume of loans and deposits derived from this area, the Decatur MSA performance carried the greatest degree of weight in the overall CRA rating.

#### **Economic and Demographic Data**

The AA includes all of Macon County, IL. According to 2020 U.S. Census data, this area includes 37 census tracts: 5 low-, 9 moderate-, 18 middle-, 4 upper, and 1 NA census tracts. This is a change from 2015 American Community Survey (ACS) Census data when Macon County consisted of 34 census tracts that included 8 low-, 5 moderate-, 11 middle-, and 10 upper-income tracts. The following table illustrates select demographic characteristics of the AA based on 2020 U.S. Census data.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Decatur, IL MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	37	13.5	24.3	48.6	10.8	2.7
Population by Geography	103,998	7.2	21.9	51.6	18.5	0.8
Housing Units by Geography	50,364	8.1	25.2	50.0	15.4	1.2
Owner-Occupied Units by Geography	30,265	4.3	15.6	58.7	21.1	0.3
Occupied Rental Units by Geography	13,545	13.3	41.5	35.4	6.8	2.9
Vacant Units by Geography	6,554	15.0	36.1	40.0	6.7	2.1
Businesses by Geography	7,567	16.6	22.0	40.5	20.0	0.9
Farms by Geography	392	4.3	7.7	62.8	24.7	0.5
Family Distribution by Income Level	26,176	21.2	17.2	21.4	40.2	0.0
Household Distribution by Income Level	43,810	24.5	16.2	17.8	41.5	0.0
Median Family Income MSA - 19500 Decatur, IL MSA		\$71,270	Median Housing Value			\$90,061
			Median Gross Rent			\$689
			Families Below Poverty Level			11.3%

*Source: 2020 U.S. Census and 2023 D&B Data. Due to rounding, totals may not equal 100.0%  
(\*) The NA category consists of geographies that have not been assigned an income classification.*

The Federal Financial Institutions Examination Council (FFIEC) median family income is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for the AA are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Decatur, IL MSA Median Family Income (19500)</b>				
2022 (\$84,100)	<\$42,050	\$42,050 to <\$67,280	\$67,280 to <\$100,920	≥\$100,920
2023 (\$82,200)	<\$41,100	\$41,100 to <\$65,760	\$65,760 to <\$98,640	≥\$98,640

*Source: FFIEC*

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GARs. The GARs of businesses operating in the AA according to 2023 D&B data are as follows:

- 82.6 percent reported \$1.0 million or less;
- 4.3 percent reported greater than \$1.0 million; and
- 13.1 percent did not report revenues to D&B.

According to D&B data as of June 2023, Services represent the largest portion of businesses in the AA at 35.9 percent, followed by Non-Classifiable Establishments (17.4 percent), and Retail Trade (13.6 percent). Major employers in the AA include Archer Daniels Midland Company, Decatur Memorial Hospital and Caterpillar Inc.

Data from the U.S. Bureau of Labor Statistics indicates the unemployment rate within the AA are slightly higher than the State of Illinois average and national average, as detailed in the following table which shows unemployment information throughout the review period. The unemployment rate continues to remain higher in the MSA than in the state or nationally.

<b>Unemployment Rates in the Decatur, IL MSA</b>				
<b>Area</b>	<b>April 2024</b>	<b>April 2023</b>	<b>April 2022</b>	<b>April 2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Decatur, IL MSA	6.2	5.6	5.7	7.9
State	4.8	4.2	4.5	6.7
National Average	3.9	3.4	3.7	6.1
<i>Source: Bureau of Labor Statistics; Illinois Department of Employment Security</i>				

### **Competition**

The AA has a moderate level of competition for loans and deposits. Data from the FDIC Deposit Market Share report as of June 30, 2023, shows 35 offices of 13 financial institutions operating within the AA. The bank maintains a 19.9 percent deposit market share, down from 22.3 percent at the last evaluation, ranking it second among all institutions.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2022, the most recent year for which aggregate data is available, 1,484 home mortgage loans were originated or purchased. HPB ranked 7<sup>th</sup> out of 151 lenders who report HMDA data with a market share of 4.18 percent (up from the last evaluation when the bank had 2.91 percent of the market share). The bank with the highest market share held 7.55 percent. The five most prominent home mortgage lenders accounted for 31.5 percent of the total market share, indicating a competitive market.

Although the bank is not required to collect or report small business loan data pursuant to the reporting requirements of the CRA, aggregate data provides insight into the level of small business lending within the AA. The most recent aggregate small business lending data available (2022) reflects that 52 reporting lenders originated or purchased 1,135 small business loans within the AA. This indicates a highly competitive market for these types of loans.

### **Community Contacts**

To assist the FDIC in preparing the CRA evaluation, examiners referred to one community contact with knowledge of the business and housing credit needs and opportunities in this AA. The contact noted the local economy is rebounding and housing prices have increased. The contact stated there is a need for rental housing to attract younger professionals to the area. In addition, there is a need for small business lending and micro-loans to encourage entrepreneurship, as well as first time

homebuyer programs and affordable housing. Finally, the contact opined financial institutions in the area are meeting credit needs of 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 small business and affordable housing loans represent primary credit needs in the area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE DECATUR MSA, IL AA**

### **LENDING TEST**

HPB exhibited reasonable performance under the Lending Test in the Decatur MSA AA. Poor Geographic Distribution and excellent Borrower Profile performance support this conclusion.

#### **Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the AA. Home loans are weighted more heavily than small business loans. Poor geographic distribution of home mortgage loans and reasonable distribution of small business loans supports this conclusion. Examiners focused on the percentage by number of loans originated in low- and moderate-income census tracts. As stated earlier, three of the bank's six locations in this AA are located in low- and moderate-income census tracts.

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

The geographic distribution of home mortgage loans reflects poor dispersion throughout the AA. Examiners focused on the comparison of aggregate data for the bank's 2022 performance. The bank did not originate any loans in the low-income census tracts in 2022; however, the bank's performance is only slightly below aggregate performance of 2.3, which suggests a low loan demand in low-income census tracts. Demographic data shows 4.3 percent of owner occupied housing units are located in low-income census tracts in 2022 and 2023. No loans were originated in 2023 in low-income census tracts.

The bank's performance in moderate-income census tracts was slightly below the demographic in 2022, but it outperformed competitors. In addition, the number of loans originated in 2023 declined from the year prior. While aggregate data was not available in 2023 to determine how HPB fared relative to competitors, demographic data is available; the bank's performance is well below the demographic and is considered poor.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Decatur, IL MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2022	4.3	2.3	0	0.0	0	0.0
2023	4.3	--	0	0.0	0	0.0
<b>Moderate</b>						
2022	15.6	13.4	9	14.5	583	8.0
2023	15.6	--	5	7.1	526	5.2
<b>Middle</b>						
2022	58.7	62.1	40	64.5	4,978	67.9
2023	58.7	--	44	62.9	5,745	56.4
<b>Upper</b>						
2022	21.1	21.9	13	21.0	1,771	24.2
2023	21.1	--	21	30.0	3,922	38.5
<b>Not Available</b>						
2022	0.3	0.4	0	0.0	0	0.0
2023	0.3	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>62</b>	<b>100.0</b>	<b>7,332</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>70</b>	<b>100.0</b>	<b>10,193</b>	<b>100.0</b>
<i>Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Rental property accounted for 13.3 percent in low-income census tracts and 41.5 percent in moderate-income census tracts. This is down from 39.5 in low, and 16.0 percent in moderate-income census tracts based on the 2015 ACS Data. The housing stock in low- and moderate-income census tracts has declined as a result of various initiatives within downtown Decatur, which were implemented to help stabilize the communities. For instance, the city built a new middle school and a healthcare campus in low- and moderate-income tracts after clearing out some of the homes. Nonetheless, aggregate data shows there continues to be demand for home loans in these areas.

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

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. The bank's lending performance in low-income census tracts significantly exceeds the demographic in 2022 and 2023 by number and dollars of loans. Although the bank is not required to collect or report small business loan data pursuant to the reporting requirements of the CRA, aggregate data provides insight into the level of small business lending within the AA. HPB's performance in low-income tracts significantly exceeded aggregate data for 2022, which was 20.2 percent. Overall, the bank's lending performance in low-income census tracts is excellent.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Decatur MSA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	17.5	6	37.5	2,055	43.3
2023	16.6	5	29.4	1,205	26.6
Moderate					
2022	22.1	2	12.5	405	8.5
2023	22.0	3	17.7	943	20.9
Middle					
2022	40.2	5	31.2	800	16.9
2023	40.5	3	17.7	160	3.5
Upper					
2022	19.4	3	18.8	1,489	31.3
2023	20.0	6	35.2	2,215	49.0
Not Available					
2022	0.8	-	-	-	-
2023	0.9	--	--	--	--
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>4,749</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>4,523</b>	<b>100.0</b>
<i>Sources: 2022 &amp; 2023 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

In moderate-income census tracts, bank performance significantly trailed the demographic of 22.1 percent and aggregate data of 18.9 percent in 2022. The bank’s performance also trailed the demographic in 2023. However, by dollars HPB’s performance was in line with the demographic comparative factor in 2023. The bank’s performance in moderate-income census tracts is poor. However, given the excellent performance in low-income census tracts, overall performance is considered reasonable.

**Borrower Profile**

The distribution of borrowers reflects excellent penetration among borrowers of different income levels and reasonable penetration of businesses of different revenue sizes. Home mortgage lending is weighted more heavily than small business lending, therefore the overall performance is excellent. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

### **Home Mortgage Loans**

The distribution of home mortgage loans to borrowers of different income levels, including low- and moderate-income, is excellent. Examiners focused on the comparison to aggregate data in 2022 and area demographics in 2023.

The bank’s lending volume to low-income borrowers is in line with aggregate lending but trailed the percentage of families in the area; however, the percentage of families’ is impacted by the level of families in the AA that live below the poverty level (11.3 percent). These income levels are not likely sufficient to support home ownership, which impacts opportunities for home mortgage lending. In addition, aggregate lending data is generally a better indicator of loan demand since not all low-income families are in need of a home loan. In 2023, the bank’s performance of 4.3 percent is significantly below the demographic, which would normally suggest poor performance in the absence of aggregate data. Overall, the bank’s performance in low-income census tracts is reasonable.

The following table reflects the bank’s lending to borrowers of various income levels.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Decatur, IL MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2022	21.2	14.6	9	14.5	674	9.2
2023	21.2	--	3	4.3	233	2.3
<b>Moderate</b>						
2022	17.2	24.5	21	33.9	2,009	27.4
2023	17.2	--	15	21.4	1,533	15.0
<b>Middle</b>						
2022	21.4	18.9	10	16.1	1,250	17.0
2023	21.4	--	14	20.0	1,837	18.0
<b>Upper</b>						
2022	40.2	21.0	20	32.3	3,193	43.5
2023	40.2	--	30	42.9	5,520	54.2
<b>Not Available</b>						
2022	0.0	21.1	2	3.2	207	2.8
2023	0.0	--	8	11.4	1,069	10.5
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>62</b>	<b>100.0</b>	<b>7,332</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>70</b>	<b>100.0</b>	<b>10,193</b>	<b>100.0</b>

*Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%*

Lending performance for moderate-income borrowers reflects excellent performance. HPB originated 33.9 percent of its loans to moderate-income borrowers in 2022. This is well above both aggregate performance and the demographic. In 2023, the bank’s performance continued to be above the demographic.

***Small Business Loans***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. While the bank’s level of lending trails the percent of businesses in this revenue category for both years, for many small businesses, credit needs are often met through credit card and home equity financing. Demographic data indicates there is a large volume of small businesses in the AA that could potentially seek alternative forms of financing. These indicators include that within the AA, 61.0 percent of businesses have four employees or less and 86.7 percent operate out of a single location.

Additionally, examiners considered the aggregate lending data for the most recent year available, 2022, for loans made to businesses with GARs of \$1 million or less. Those reporting institutions had 55.0 percent of originated or purchased small business loans to businesses with GARs with \$1 million or less, which is significantly below the demographic. Although the bank did not report small business data, aggregate data of 55 percent provides a stronger indication of AA demand, which is slightly higher than HPB’s performance in 2022.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Decatur, IL MSA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2022	81.5	8	50.0	1,644	34.6
2023	82.6	7	41.2	1,345	29.8
<b>&gt;\$1,000,000</b>					
2022	4.7	8	50.0	3,105	65.4
2023	4.3	10	58.8	3,177	70.2
<b>Revenue Not Available</b>					
2022	13.8	0	0	0	0
2023	13.1	0	0	0	0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>4,749</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>17</b>	<b>100.0</b>	<b>4,522</b>	<b>100.0</b>
<i>Sources: 2022 &amp; 2023 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

**COMMUNITY DEVELOPMENT TEST**

HPB demonstrated adequate responsiveness to the community development needs of this AA

through community development loans, qualified investments, and community development services. The bank's level of community development activity was compared to two SSIs with similar lending focuses operating in the AA. These SSIs had total assets of \$5.0 and \$12.8 billion. Overall, community development activities were in line with the activity of SSIs in the AA. Additionally, there is significant competition for community development loans and investments within this AA given there are 13 institutions with 35 offices in operation reporting deposits and 52 lenders reporting small business loans.

### **Community Development Loans**

The bank originated two community development loans totaling approximately \$650,000 in this AA during the review period. Both loans promoted affordable housing. The community development loans, during the current review period, represent 0.15 percent of average net loans since the previous evaluation. This level of lending is below the SSIs within the Decatur market and surrounding areas that were evaluated for CRA during the current evaluation period. These institutions had community development loans to average net loans ratios of 0.3 and 1.2 percent.

Below are notable examples of the bank's community development loans in the AA:

- The bank originated a loan for \$400,000 to a local business for the purchase of multi-family apartment complex. The rents charged to tenants are well below the fair market rent for the area and thus promote affordable housing.
- The bank originated another loan for \$250,000 to a non-profit local health center that provides healthcare to individual in need, regardless of their ability to pay.

### **Qualified Investments**

During the review period, 98 qualified investments totaling \$297,374 were made. These investments benefited affordable housing and Community Service. Two of the investments benefited low- and moderate-income borrowers for affordable housing. This level of qualified investments, by dollar volume, represents 0.16 percent of average total securities and 0.04 percent of average total assets. Qualified investments are in-line with SSIs used for comparative purposes who had total qualified investments of \$8,000 and \$4.6 million which represented 0.1 and .20 percent.

### **Community Development Services**

During the evaluation period, bank employees provided 26 instances of financial expertise or technical assistance to 17 different community development-related organizations in this AA. This level of services compares favorably to the two SSIs who provided between 4 and 23 instances.

In addition, HPB operates two offices in this AA, one in a low-income census tract and one in a moderate-income census tract. These branches continue to actively originate government mortgage loan programs through the FHLB, the Illinois Housing Development Authority and its correspondent bank. These mortgage loan programs provide affordable loan rates with low-down payment requirements for primarily low- and moderate-income families. The bank provided funding support for five grants totaling \$44,280, and seven government loans (VA/FHA) for approximately \$1.1 million during the review period.

Notable examples of HPB’s service activity are included in the following table.

<b>Community Development Services</b>				
<b>Brief Service Description</b>	<b>Community Development Purpose</b>	<b>Bank Sponsored Event, Program or Seminar</b>	<b>Technical Assistance or Direct Involvement by Bank Employee</b>	<b>Bank Product or Service</b>
<i>A Bank Employee serves as a Board member of an organization that provides housing for those in need. This employee is also a member of the Family Selection Committee.</i>	Affordable Housing		2021-2024	
<i>A Bank Employee serves as a Board member of a non-profit organization that creates opportunities with the support of the community toward improving the lives of the economically disadvantaged through daily nourishment, life skills education, and job training. This employee also serves on the Finance Committee of this organization.</i>	Community Service		2021-2024	
<i>A Bank Employee serves as the Treasurer of a non-profit organization that advocates for all children to have the right of a safe, nurturing environment that strives to ensure all the basic needs of children are met.</i>	Community Service		2021	
<i>Source: Bank Records</i>				

## **CHAMPAIGN-URBANA, IL MSA # 16580 AA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CHAMPAIGN-URBANA, IL MSA AA**

A full-scope review of the bank’s performance in its Champaign-Urbana, IL MSA #16580 (Champaign MSA) AA was performed. As of June 30, 2023, approximately 9.8 percent of the bank’s total deposits were derived from this AA. While this area derives a less significant volume of deposits, it is where the majority of lending activity occurs; therefore, performance in this AA carried the second greatest weight in the overall assigned CRA rating. In 2022, the bank originated 65.5 percent of its home mortgage loans, by number, in this AA. In 2023, 41.1 percent of its small business loans, by number, were originated in this AA.

HPB designated the Champaign MSA as one of its AAs, which consists of Piatt and Champaign Counties. The bank operates one full-service banking office that is located in an unknown-income census tract in downtown Champaign, IL and one ATM.

The AA consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and includes all of the geographies where the bank’s office and deposit taking ATM are located.

**Economic and Demographic Data**

The Champaign MSA consists of 52 census tracts, and it contains a population of 222,538, according to the 2020 U.S. Census. Of the 52 census tracts in the AA, there are 7 low-, 9 moderate-, 13 middle-, and 18 upper-income tracts. Five of the tracts are not classified, which is where the University of Illinois Champaign-Urbana (U of I) Campus is located. Based on the 2015 ACS Census data, the Champaign MSA consisted of 47 census tracts consisting of 8 low-income tracts, 7 moderate-income tracts, 20 middle-income tracts, 10 upper-income tracts, and 2 tracts with no income classification. The following table provides more specific demographic information on the Champaign MSA.

Demographic Information of the Assessment Area						
Assessment Area: Champaign MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	52	13.5	17.3	25.0	34.6	9.6
Population by Geography	222,538	12.6	19.8	26.6	34.3	6.7
Housing Units by Geography	101,114	13.7	22.1	28.0	31.0	5.2
Owner-Occupied Units by Geography	49,649	4.4	21.1	34.2	39.7	0.6
Occupied Rental Units by Geography	40,165	22.5	23.4	20.4	23.4	10.4
Vacant Units by Geography	11,300	23.7	21.6	27.4	19.7	7.5
Businesses by Geography	18,273	10.1	18.6	28.7	37.5	5.1
Farms by Geography	1,030	2.8	13.1	48.9	34.5	0.7
Family Distribution by Income Level	47,390	22.7	16.8	20.3	40.2	0.0
Household Distribution by Income Level	89,814	27.0	14.5	15.7	42.8	0.0
Median Family Income MSA - 16580 Champaign-Urbana, IL MSA		\$83,169	Median Housing Value			\$142,096
			Median Gross Rent			\$878
			Families Below Poverty Level			8.3%
Sources: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (* ) The NA category consists of geographies that have not been assigned an income classification.						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GARs. The percent of businesses with 1-4 employees is 59.8 percent with 88.6 percent of businesses operating from only one location. The GARs of businesses operating in the AA in 2023 according to 2023 D&B data are as follows:

- 85.5 percent reported \$1.0 million or less;
- 3.2 percent reported greater than \$1.0 million; and
- 11.3 percent did not report revenues.

The 2022 and 2023 FFIEC-updated Median Family Income (MFI) level is used to analyze home mortgage loans under the Borrower Profile criterion. The table below contains information on the median family incomes by category.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Champaign-Urbana, IL MSA Median Family Income (16580)</b>				
2022 (\$91,300)	<\$45,650	\$45,650 to <\$73,040	\$73,040 to <\$109,560	≥\$109,560
2023 (\$99,900)	<\$49,950	\$49,950 to <\$79,920	\$79,920 to <\$119,880	≥\$119,880
<i>Source: FFIEC</i>				

Government entities represent the largest portion of businesses at 33.8 percent, followed by education and health services (16.2 percent), leisure and hospitality (10.2 percent), and professional and business services (7.2 percent). U of I is the largest employer with almost 14,000 employees.

The following table shows unemployment information throughout the review period. The unemployment rate has fared better than the state and is closely in line with the national average, overall.

<b>Unemployment Rates in the Champaign MSA</b>				
<b>Area</b>	<b>April 2024</b>	<b>April 2023</b>	<b>April 2022</b>	<b>April 2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Champaign MSA	4.3	3.6	3.7	5.0
State	4.8	4.2	4.5	6.7
National Average	3.9	3.4	3.7	6.1
<i>Source: Bureau of Labor Statistics; Illinois Department of Employment Security</i>				

**Competition**

The AA has a significant level of competition for loans and deposits. Data from the FDIC Deposit Market Share report as of June 30, 2023, shows 29 financial institutions operating 81 offices within the AA. HPB maintains a 0.8 percent deposit market share, ranking 18<sup>th</sup> among all institutions.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2022, the most recent year for which aggregate data is available, 3,785 residential mortgage loans were originated or purchased. HPB ranked 4th out of 235 lenders in the area with a market share of 4.62 percent; while the bank with the highest market share held 17.23 percent. The five most prominent home mortgage lenders accounted for 39.41 percent of the total market share, indicating a competitive market.

Although, the bank is not required to collect or report small business loan data pursuant to the reporting requirements of the CRA, aggregate data provides insight into the level of small business lending within the AA. The most recent aggregate small business lending data available (2022) reflects that 73 reporting lenders originated or purchased 3,217 small business loans within the AA. This indicates a highly competitive market for these types of loans.

### **Community Contacts**

To assist the FDIC in preparing the CRA evaluation, examiners referred to two community contacts with knowledge and business interests in the area. Both contacts opined the economy is relatively strong but there is a shortage of housing stock. Further, they stated there is a need for low- and moderate-income home mortgage financing in the area. Both contacts stated U of I continues to be the largest employer and the university supports consistent growth for residents and jobs in the AA.

Overall, lending opportunities identified by the contacts were targeted towards affordable housing, community services, and redevelopment activities in low- and moderate-income areas. Additionally, one contact noted a significant need for start-up and small business funding throughout Champaign County, specifically smaller dollar loans for younger entrepreneurs with limited credit experience. The contacts opined that financial institutions have been responsive to the credit and community development needs.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business, affordable housing loans, and community services represent primary credit needs in the area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CHAMPAIGN- URBANA, IL MSA AA**

### **LENDING TEST**

HPB exhibited reasonable performance under the Lending Test throughout the Champaign MSA. The conclusion is supported by reasonable performance for both home mortgage and small business lending under both Geographic Distribution and Borrower Profile, as detailed in the supporting comments.

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the AA. Reasonable geographic distribution of both home mortgage and small business loans supports this conclusion. Examiners focused on the percentage by number of loans in the low- and moderate-income census tracts.

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

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA when considering factors such as demographics and competition in the area.

Many of the low- and moderate-income census tracts in the AA are adjacent to the U of I campus and include high levels of multi-family units, which is common for college students. As detailed in the following table, there are nominal levels of owner-occupied housing in low-income census tracts. The bank's performance was in line with aggregate lending data and AA demographics in low-income geographies in 2022. In 2023, the bank's performance dropped slightly and trailed the respective demographic. Overall, HPB's performance in low-income census tracts is considered reasonable given the factors discussed below.

There are more owner-occupied housing units in moderate-income geographies, but they remain limited. Three of the moderate-income tracts, with higher proportions of owner occupancy, are located several miles from the bank’s branch in the City of Rantoul. The bank’s performance significantly trailed aggregate lending data and area demographics in 2022. While the number of loans in 2023 was consistent with that in 2022, as a percentage of loans originated the bank’s performance was comparable to demographic. Due to the performance context previously mentioned, HPB’s performance in moderate-income census tracts is considered reasonable.

The demographic factors, the location of its single branch location within the AA, and the competition from other financial institutions, mortgage brokers, credit unions, and finance companies within the AA for home mortgage loans (as detailed previously) highlight the challenges HPB faces in originating home mortgage loans in these geographies. Overall, the bank’s home mortgage lending is reasonable. The following table provides additional information.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Champaign, IL MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2022	4.4	4.8	7	4.0	7,598	10.6
2023	4.4	--	3	2.8	251	0.6
<b>Moderate</b>						
2022	21.1	22.1	21	12.0	3,223	4.5
2023	21.1	--	20	18.5	2,819	7.0
<b>Middle</b>						
2022	34.2	30.9	53	30.3	29,677	41.4
2023	34.2	--	29	26.9	12,199	30.2
<b>Upper</b>						
2022	39.7	41.1	90	51.4	24,270	33.8
2023	39.7	--	52	48.1	16,863	41.8
<b>Not Available</b>						
2022	0.6	1.1	4	2.3	6,981	9.7
2023	0.6	--	4	3.7	8,231	20.4
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>175</b>	<b>100.0</b>	<b>71,749</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>108</b>	<b>100.0</b>	<b>40,363</b>	<b>100.0</b>
<i>Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

**Small Business Loans**

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. While in 2022, the bank’s performance trailed demographic data in low-income census tracts, it significantly exceeded the demographic in 2023 doubling the demographic. Overall, on average, the bank’s performance in low-income census tracts was in line with demographics and considered reasonable.

The bank’s performance in moderate-income census tracts in 2022 exceeded the demographic but fell significantly below the demographic in 2023. Again, on average, the bank’s performance in moderate-income census tracts was in line with demographics and considered reasonable. Overall, the bank’s performance was reasonable. The following table provides additional information.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Champaign, IL MSA</b>						
<b>Tract Income Level</b>		<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
	2022	10.2	1	7.2	269	5.7
	2023	10.1	3	21.5	1,420	28.4
Moderate						
	2022	18.7	3	21.4	1,120	23.5
	2023	18.6	1	7.1	200	4.0
Middle						
	2022	28.6	2	14.3	305	6.4
	2023	28.7	1	7.1	500	10.0
Upper						
	2022	37.1	8	57.1	3,067	64.4
	2023	37.5	9	64.3	2,877	57.6
Not Available						
	2022	5.4	0	0	0	0
	2023	5.1	0	0	0	0
<b>Totals</b>						
	<b>2022</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>4,761</b>	<b>100.0</b>
	<b>2023</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>4,997</b>	<b>100.0</b>

*Sources: 2022 & 2023 D&B Data; Bank Data; "--" data not available.  
Due to rounding, totals may not equal 100.0%*

**Borrower Profile**

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the AA. This is supported by reasonable home mortgage loan performance and poor small business performance. As stated earlier, home mortgage lending is weighted more heavily than small business lending. Examiners focused on the

percentage by number of home mortgage loans to low- and moderate-income borrowers the percentage by number of small business loans to businesses with GARs of \$1 million or less.

**Home Mortgage Loans**

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. The bank’s volume of home mortgage loans significantly decreased in 2023, primarily due to the rising interest rate market.

As shown in the following table, the bank’s performance of lending to low-income borrowers significantly trails the demographics in both years; as well as aggregate lending in 2022. The number of loans originated to low-income borrowers increased slightly from 2022 to 2023 and the bank’s percentage of loans made to low-income borrowers increased; however, performance remained below the demographic in 2023. The following table below provides additional information.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Champaign, IL MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2022	22.7	11.2	7	4.0	805	1.1
2023	22.7	--	9	8.3	1,119	2.8
<b>Moderate</b>						
2022	16.8	20.9	31	17.7	4,558	6.4
2023	16.8	--	17	15.7	2,596	6.4
<b>Middle</b>						
2022	20.3	19.7	33	18.9	6,875	9.6
2023	20.3	--	20	18.5	3,467	8.6
<b>Upper</b>						
2022	40.2	28.3	81	46.3	23,773	33.1
2023	40.2	--	49	45.4	16,210	40.2
<b>Not Available</b>						
2022	0.0	19.8	23	13.1	35,738	49.8
2023	0.0	--	13	12.0	16,970	42.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>175</b>	<b>100.0</b>	<b>71,749</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>108</b>	<b>100.0</b>	<b>40,363</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%*

The notable difference between the percentage of families and aggregate lending levels are indicative of limited lending opportunities faced by all lenders in the area. In line with the poverty

level at 8.3 percent, a low-income family in the Champaign MSA, with an income of \$49,950 or less, would not likely qualify for or have the capacity to support a mortgage under conventional underwriting standards, especially considering the median housing value of \$142,096 and a rising interest rate market. Given these factors, the bank’s performance to low-income borrowers is reasonable.

The bank’s level of lending to moderate-income borrowers was in line with the percent of families for 2022 and 2023. HPB’s performance slightly trailed aggregate performance in 2022, which was slightly higher than the demographic. This performance to moderate-income borrowers is reasonable.

The bank continued to offer flexible lending products and down payment assistance throughout the entire review period with three loans, totaling \$440,209, originated under these programs. When considering the bank’s overall lending performance, including the special loan program activity, the bank’s level of lending to low- and moderate-income individuals is reasonable.

**Small Business Loans**

The distribution of small business loans reflects poor penetration of loans to businesses with GARs of \$1 million or less. The following table shows the bank’s performance in 2022 and 2023 was significantly below the demographics for the area. The following table provides additional information.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Champaign, IL MSA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2022	84.3	3	21.4	530	11.1
2023	85.5	7	50.0	2,107	42.2
<b>&gt;\$1,000,000</b>					
2022	3.5	9	64.3	2,970	62.4
2023	3.2	7	50.0	2,890	57.8
<b>Revenue Not Available</b>					
2022	12.2	2	14.3	1,262	26.5
2023	11.3	--	--	--	--
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>4,762</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>4,997</b>	<b>100.0</b>
<i>Sources: 2022 &amp; 2023 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

For many small businesses, credit needs are often met through credit card and home equity financing. Demographic data indicates there is a large volume of small businesses in the AA that could potentially seek alternative forms of financing. Within the AA, 59.8 percent of businesses have four employees or less, indicating they may be seeking credit through other means.

Additionally, examiners considered the aggregate lending data for the most recent year available, 2022, for loans made to businesses with GARs of \$1 million or less. Aggregate data showed that 52.9 percent of originated or purchased small business loans were to businesses with GARs with \$1 million or less, which is significantly below the demographic. Although, the bank did not report small business data, this provides an indication of AA demand, which remains significantly higher than HPB's performance in 2022. Examiners noted the bank's performance in 2023 increased to a level that is comparable to 2022 aggregate data, which suggests the bank's performance may be more comparable to 2023 aggregate data when it becomes available.

## **COMMUNITY DEVELOPMENT TEST**

HPB demonstrated adequate responsiveness to the community development needs of this AA through community development loans, qualified investments, and community development services. The bank's level of community development activity was compared to five SSIs with similar lending focuses operating in the AA. These SSIs had total assets ranging from \$819.5 million to \$12.8 billion. Community development activities were in line with the activity of SSIs in the AAs. Additionally, there is significant competition for community development loans and investments within this AA given there are 29 institutions with 81 offices in operation reporting deposits and 73 lenders reporting small business loans.

### **Community Development Loans**

The bank originated 17 qualified community development loans totaling approximately \$8.7 million in this AA. These loans promoted affordable housing and community service. The community development loans, during the current review period, represent 2.1 percent of average net loans since the previous evaluation. This level of lending is comparable to that of the SSIs used who operate within the Champaign MSA and surrounding areas that were evaluated for CRA during the current evaluation period. These institutions had community development loan to average net loan ratios ranging from 0.7 to 4.2 percent.

Below are notable examples of the bank's community development loans in the AA:

- The bank renewed and originated a significant number of loans for the purchase of multi-family apartment complexes. The rents charged to tenants are well below the fair market rent for the area and thus promote affordable housing.
- The bank originated a loan for the purchase of a building that will be used by a local housing development company that specializes in affordable housing.

### **Qualified Investments**

During the review period, the bank made 46 qualified investments totaling \$459,252 in the AA. These investments benefited affordable housing, Community Service, and Revitalization and Stabilization. Four of the investments benefited low- and moderate-income borrowers for affordable housing. This level qualified investments, by dollar volume, represents 0.24 percent of

average securities and 0.06 percent of average assets since the last evaluation. Qualified investments are in-line with SSIs used for comparative purposes who had total qualified investments ranging from \$3,000 to \$26.1 million. Their level of qualified investments represents a range from 0.0 to 1.47 percent of average securities and 0.0 to .26 percent of average assets since the last evaluation.

**Community Development Services**

During the evaluation period, bank employees provided 18 instances of financial expertise or technical assistance to 8 different community development-related organizations in this AA. This level of services compares favorably to the five SSIs who provided between 0 and 181 instances (0, 6, 7, 145, and 181). Notable examples of HPB’s service activity are included in the following table.

<b>Community Development Services</b>				
<b>Brief Service Description</b>	<b>Community Development Purpose</b>	<b>Bank Sponsored Event, Program or Seminar</b>	<b>Technical Assistance or Direct Involvement by Bank Employee</b>	<b>Bank Product or Service</b>
<i>A Bank Employee serves on the Board on an organization that provides housing for those in need.</i>	Affordable Housing		2021-2023	
<i>A Bank Employee provides educational tutoring to youth in need.</i>	Community Service		2022	
<i>A Bank Employee serves on the Family Selection Committee of an organization that provides housing for those in need.</i>	Affordable Housing		2021-2023	
<i>Source: Bank Records</i>				

HPB operates one office in the Champaign AA. This branch continues to actively originate government mortgage loan programs through the FHLB, the Illinois Housing Development Authority and its correspondent bank. These mortgage loan programs provide affordable loan rates with low-down payment requirements for primarily low- and moderate-income families. The bank provided funding support for 17 grants totaling \$128,500, and 1 government loan (USDA) in the amount of \$161,616 during the review period.

**PEORIA, IL MSA #37900 AA – Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE PEORIA, IL MSA AA**

A full-scope review of the bank’s performance in its Peoria, IL MSA #37900 (Peoria MSA) AA was performed. The performance in this area is discussed below. As of June 30, 2023,

approximately 3.2 percent of the bank’s total deposits were derived from this AA. In 2022, the bank originated less than one percent of its home mortgage loans, by number, in this AA. In 2023, less than two percent of its small business loans, by number, were originated in this AA. As such, the bank derives a less significant volume of its loans and deposits in the AA, the performance carries a lesser degree of weight in the overall assigned CRA rating.

HPB delineated a portion of the Peoria MSA as one of its AAs, which consists of all of Peoria and Marshall Counties. Two full-service banking offices are operating within this AA. One in Peoria Heights, IL and one in Varna, IL; neither of these offices have drive-up facilities and the branches are almost 34 miles apart. Based on the 2020 U.S. Census, the Varna branch is located in a moderate-income census tract and the Peoria Heights office is located in a middle-income census tract. This AA consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and includes all of the geographies where the bank’s offices and deposit taking ATMs are located.

**Economic and Demographic Data**

The Peoria MSA consists of 54 census tracts, and has a total population of 193,572, according to the 2020 U.S. Census. Of the 54 census tracts in the AA, there are 9 low-, 13 moderate-, 23 middle-, and 9 upper-income tracts. This is a change from the last evaluation when the same two counties consisted of 53 census tracts comprised of 12 low-income tracts, 6 moderate-income tracts, 25 middle-income tracts, and 10 upper-income tracts, based on 2015 ACS Census data, at the previous evaluation. The following table provides more specific demographic information on the Peoria MSA AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Peoria IL MSA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	54	16.7	24.1	42.6	16.7	0.0
Population by Geography	193,572	9.8	24.3	42.2	23.7	0.0
Housing Units by Geography	89,599	11.8	25.4	44.0	18.8	0.0
Owner-Occupied Units by Geography	51,822	4.8	23.6	49.3	22.3	0.0
Occupied Rental Units by Geography	26,619	20.9	27.4	36.1	15.6	0.0
Vacant Units by Geography	11,158	22.1	29.4	38.2	10.2	0.0
Businesses by Geography	16,007	16.8	18.6	41.8	22.8	0.0
Farms by Geography	720	4.7	17.5	51.0	26.8	0.0
Family Distribution by Income Level	46,722	23.0	19.1	20.2	37.8	0.0
Household Distribution by Income Level	78,441	27.4	15.7	18.4	38.5	0.0
Median Family Income MSA - 37900 Peoria, IL MSA		\$77,873	Median Housing Value			\$130,655
			Median Gross Rent			\$804
			Families Below Poverty Level			10.5%

Source: 2020 U.S. Census and 2023 D&B Data. Due to rounding, totals may not equal 100.0%. (\*) NA category – no income classification.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GARs. According to 2023 D&B data, 59.8 percent of businesses have fewer than 4 employees, and 87.3 percent operate from only one location. The GARs of businesses operating in the AA in 2023 are as follows:

- 83.4 percent reported \$1.0 million or less;
- 4.8 percent reported greater than \$1.0 million; and
- 11.8 percent did not report revenues to D&B.

The 2022 and 2023 FFIEC-updated Median Family Income (MFI) level is used to analyze home mortgage loans under the Borrower Profile criterion. The table below contains information on the median family incomes by category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Peoria, IL MSA Median Family Income (37900)</b>				
2022 (\$88,700)	<\$44,350	\$44,350 to <\$70,960	\$70,960 to <\$106,440	≥\$106,440
2023 (\$90,500)	<\$45,250	\$45,250 to <\$72,400	\$72,400 to <\$108,600	≥\$108,600

*Source: FFIEC*

According to Moody’s Analytics, the MSA per capita income in 2022 continues to lag the Illinois’ average by 17.2 percent and US average by 13.4 percent. Education and Health services represent the largest portion of businesses in the AA at 19.7 percent, followed by professional and business services (13.8 percent), manufacturing (13.4 percent), government (11.8 percent), and retail trade (10.2 percent). OSF Healthcare continues to be the area’s largest single employer with Caterpillar a close second. Peoria’s economy is slowly improving. Government and manufacturing jobs have led to job growth, with factory employment rising. The next largest employers are hospitals that have had relatively stable employment.

The following table shows unemployment information throughout the review period. The unemployment rate was consistently above national and state averages as displayed below.

Unemployment Rates in the Peoria, IL MSA				
Area	April 2024	April 2023	April 2022	April 2021
	%	%	%	%
Peoria, IL MSA	6.0	5.1	5.2	7.6
State	4.8	4.2	4.5	6.7
National Average	3.9	3.4	3.7	6.1

*Source: Bureau of Labor Statistics; Illinois Department of Employment Security*

### **Competition**

The AA has a significant level of competition for loans and deposits. Data from the FDIC Deposit Market Share report as of June 30, 2023, shows 23 financial institutions operating 60 offices within

the AA. HPB maintains a 0.39 percent deposit market share in the AA, ranking it 22<sup>nd</sup> among all institutions.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2022, the most recent year for which aggregate data is available, 3,818 residential mortgage loans were originated or purchased. HPB was ranked 101st out of 210 HMDA reporters in the area with a market share of 0.05 percent with two loans; the financial institution (Credit Union) with the highest market share held 24.46 percent. The five most prominent home mortgage lenders accounted for 45.84 percent of the total market share, indicating a competitive market.

Although the bank is not required to collect or report small business loan data pursuant to the reporting requirements of the CRA, aggregate data provides insight into the level of small business lending within the AA. The most recent aggregate small business lending data available (2022) reflects that 67 reporting lenders originated or purchased 2,857 small business loans within the AA. This indicates a highly competitive market for these types of loans.

### **Community Contacts**

To assist examiners with determining the credit needs and opportunities in the AA, examiners reviewed one recent community contact conducted in the area with knowledge of the business and housing credit needs and opportunities. The contact stated there is a need for flexible small business lending. The contact also cited a need for affordable housing. Small business loans for start-up businesses continue to be in high demand. The contacts also stated that financial institutions in the area are meeting credit needs and non-profit organizations focus on innovation and economic development in the Peoria area, which is also a primary need.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business, affordable housing, and innovation and economic development represent primary credit needs in the area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE PEORIA, IL MSA AA**

### **LENDING TEST**

HPB exhibited poor performance under the Lending Test throughout the Peoria MSA for home mortgage and small business lending.

### **Geographic Distribution**

The geographic distribution of loans reflects poor dispersion throughout the AA for home mortgage and small business lending. Examiners focused on the percentage by number of loans in the low- and moderate-income census tracts.

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

Examiners reviewed the geographic distribution of home mortgage loans, which shows HPB

originated two mortgage loans in 2022 and none in 2023. No loans were originated in low-income census tracts in either 2022 or 2023. In 2022 and 2023, demographic data revealed 4.8 percent of owner-occupied housing units are located in low-income census tracts. Aggregate data for 2022 revealed financial institutions originated 2 percent of home mortgage loans in low-income census tracts. Bank performance in low-income census tracts is poor.

HPB originated two, or 100 percent, of its home mortgage loans in moderate-income census tracts in 2022. No loans were originated in 2023. Demographic data for both years shows 23.6 percent of owner-occupied housing units are in moderate-income census tracts. In addition, aggregate data reflects 24.5 percent of loans were originated in moderate-income census tracts in 2022.

Peer Mortgage Data for 2022 revealed 1,484 applications were reported by institutions, who report HMDA data, of which 249 applications were located in low- and moderate-income census tracts. Peer and demographic data confirm the level of loan demand and credit needs in this AA. The overall volume of lending is so low that the bank's performance is considered poor in relation to the bank's lending capacity.

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

Examiners analyzed HPB's performance in providing loans to small businesses based on geographic dispersion. Lending volume needs improvement. HPB originated two loans in 2022, which are located in a middle- and upper-income census tract. In addition, one loan was originated in 2023, which was also in a middle-income census tract. For 2022, demographic data reveals 16.9 percent of businesses are in low-income census tracts and aggregate performance for 2022 shows 13.9 percent of small business loans were made to businesses in low-income census tracts. In addition, demographic data shows 16.8 percent of businesses are in low-income census tracts for 2023. The bank's performance in low-income census tracts for 2022 and 2023 is considered poor.

Within moderate-income census tracts HPB made no loans in 2022 or 2023. Demographic data shows 18.4 percent of businesses are in these census tracts in 2022 and 18.6 percent of businesses are in these tracts in 2023. Aggregate data revealed 17.5 percent of loans originated were in moderate-income census tracts for 2022. As stated earlier, for lenders who are required to report small business loan data, 67 lenders originated 377 loans in low-income census tracts and 486 loans in moderate-income census tracts. HPB's overall volume of lending is extremely low that this performance is considered poor in relation to the bank's lending capacity.

### **Borrower Profile**

Overall, the distribution of borrowers reflects poor penetration among individuals of different income levels and businesses of different sizes in the AA. This is supported by poor borrower distribution for both home mortgage and small business loans.

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

HPB reported two mortgage loans in 2022, both to middle-income borrowers. No loans were originated in 2023. For 2022, demographic data revealed 23.0 percent of families are low-income and aggregate performance shows lenders are originating 14.7 percent of home mortgage loans to low-income borrowers. For 2023, the percent of moderate-income families is 19.1 percent, according to the demographic, and lenders reported 20.4 percent of home mortgage loans were

originated to moderate-income borrowers. Further, 2022 Peer Mortgage Data revealed institutions, who report HMDA data, originated 567 home mortgage loans to low- and moderate-income borrowers. The data confirms the need for home mortgage lending in this area. The overall volume of lending is so low that this performance is considered poor in relation to the bank's lending capacity.

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

Examiners analyzed HPB's performance in providing loans to businesses with GARs of \$1 million or less. The bank originated two small business loans in the AA in 2022, both to businesses with GARs less than one \$1 million. HPB also originated one loan in 2023 to a business with GARs in excess of \$1 million. Demographic data shows 82.2 percent of businesses in the AA have GARs less than \$1 million, 5.1 percent of businesses have GARs greater than \$1 million, and for the remaining 12.7 percent of businesses revenue was not available. Aggregate data for 2022 revealed financial institutions originated 49.9 percent of small business loans to businesses with GARs less than \$1 million. HPB's overall volume of lending is so low that this performance is also poor given the lending capacity.

## **COMMUNITY DEVELOPMENT TEST**

HPB demonstrated poor responsiveness to the community development needs of this AA through community development loans, qualified investments, and community development services. The bank's level of community development activity was compared to five SSIs with similar lending focuses operating in the AA. These SSIs had total assets ranging from approximately \$567.9 million to \$12.8 billion. Community development activities were well below the activity of SSIs in the AAs. Additionally, there is significant competition for community development loans and investments within this AA given there are 23 institutions with 60 offices in operation reporting deposits and 67 lenders reporting small business loans.

### **Community Development Loans**

The bank originated one community development loan totaling \$22,660 in the AA during the evaluation period promoting affordable housing. The project was for rental housing with rents below fair market value. This represents 0.01 percent of average net loans since the previous evaluation. Affordable housing is a prevalent need in this AA. This level of lending is not comparable to that of the SSIs who operate within the Peoria MSA and surrounding areas that were evaluated for CRA during the current evaluation period. These institutions had community development loan to average net loan ratios ranging from 0.2 to 6.3 percent.

### **Qualified Investments**

During the review period, the bank made 13 qualified investments totaling \$216,834 in the AA. These investments benefited affordable housing and Community Service. Three of the investments benefited low- and moderate-income borrowers for affordable housing. This level of qualified investments, by dollar volume, represents 0.1 percent of average securities and 0.03 percent of average assets. This performance is below the level of qualified investments of the SSIs used for comparative purposes who had total qualified investments ranging from \$1,000 to \$53.5 million. Their level of qualified investments represents a range from 0.0 to 3.2 percent of average securities and 0.0 to 1.1 percent of average assets since the last evaluation.

**Community Development Services**

During the evaluation period, bank employees provided two instances of financial expertise or technical assistance to two community development-related organizations in this AA. This level of services is on the low end of the five SSIs who provided between 0 and 235 instances (0, 10, 59, 106, and 235). In addition, HPB operates one office in a moderate-income census tract. Notable examples of HPB service activity in this area are included in the following table.

<b>Community Development Services</b>				
<b>Brief Service Description</b>	<b>Community Development Purpose</b>	<b>Bank Sponsored Event, Program or Seminar</b>	<b>Technical Assistance or Direct Involvement by Bank Employee</b>	<b>Bank Product or Service</b>
<i>A Bank Employee serves as a Board Member on a local food bank.</i>	Community Service		2021	
<i>A Bank Employee provided financial education, specifically common fraud scenarios, with seniors.</i>	Community Service		2023	
<i>Source: Bank Records</i>				

**SPRINGFIELD, IL MSA #44100 AA – Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE SPRINGFIELD, IL MSA AA**

A full-scope review of the bank’s performance in its Springfield, IL MSA #44100 (Springfield MSA) AA was performed. As of June 30, 2023, approximately 10.3 percent of the bank’s total deposits were derived from this AA. In 2022, the bank originated 10.5 percent of its home mortgage loans, by number, in this AA. In 2023, 20.6 percent of its small business loans, by number, were originated in this AA. This AA represents the third largest market for the bank.

HPB operates one full-service banking office in the southwest corner of Springfield, IL, and one ATM, within this AA that are located in an upper-income census tract. The bank has designated all of Sangamon and Menard Counties as its AA. This AA contains 57 tracts and consists of 10 low-, 14 moderate-, 17 middle-, and 16 upper-income census tracts. This a slight change from the last evaluation when the 2015 ACS reported 56 tracts consisting of 11 low-, 10 moderate-, 24 middle-, and 11 upper-income census tracts. The low- and moderate-income tracts are primarily located in downtown Springfield.

Demographic Information of the Assessment Area						
Assessment Area: Springfield, IL MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	57	17.5	24.6	29.8	28.1	0.0
Population by Geography	208,640	12.3	19.5	33.1	35.0	0.0
Housing Units by Geography	97,689	13.7	22.1	34.2	30.0	0.0
Owner-Occupied Units by Geography	62,959	7.4	18.2	36.4	38.1	0.0
Occupied Rental Units by Geography	26,345	26.9	28.0	30.0	15.1	0.0
Vacant Units by Geography	8,385	20.4	32.3	30.9	16.4	0.0
Businesses by Geography	24,036	11.8	21.7	21.8	44.7	0.0
Farms by Geography	962	5.4	11.1	45.7	37.7	0.0
Family Distribution by Income Level	53,882	23.5	15.8	21.0	39.7	0.0
Household Distribution by Income Level	89,304	24.6	15.8	17.1	42.5	0.0
Median Family Income MSA - 44100 Springfield, IL MSA		\$83,948	Median Housing Value			\$137,876
			Median Gross Rent			\$819
			Families Below Poverty Level			9.4%
<i>Source: 2020 U.S. Census and 2023 D&amp;B Data. 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>						

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GARs. 2023 D&B data revealed that 57.6 percent of businesses have fewer than 4 employees, and 89.0 percent operate from only one location. The GARs of businesses operating in the AA in 2023 are as follows:

- 86.2 percent reported \$1.0 million or less;
- 3.3 percent reported greater than \$1.0 million; and
- 10.6 percent did not report revenues to D&B.

The 2022 and 2023 FFIEC-updated Median Family Income (MFI) level is used to analyze home mortgage loans under the Borrower Profile criterion. The table below contains information on the median family incomes by category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Springfield, IL MSA Median Family Income (44100)</b>				
2022 (\$95,400)	<\$47,700	\$47,700 to <\$76,320	\$76,320 to <\$114,480	≥\$114,480
2023 (\$99,300)	<\$49,650	\$49,650 to <\$79,440	\$79,440 to <\$119,160	≥\$119,160
<i>Source: FFIEC</i>				

According to Moody’s Analytics, the MSA per capita income in 2022 continues to lag the Illinois’ average by 20.9 percent and the U.S. average by 17.0 percent. Government continues to represent the largest portion of businesses in the AA at 23.9 percent, followed by education and health services (19.1 percent), professional and business services (11.5 percent), and retail (10.8 percent). As the state capital, the Springfield economy remains highly dependent upon public employment, particularly state and local government. One of Springfield’s primary employers is the State of Illinois with over 14,000 employees. Other major employers are in the medical and education fields, including Memorial Health System, Hospital Sister’s Health System, Springfield Clinic, U of I at Springfield, and Southern Illinois University School of Medicine. Other significant employers include Blue Cross/Blue Shield, Horace-Mann Insurance Company, Springfield Public Schools, and City of Springfield.

The following table shows unemployment information throughout the review period. The unemployment rate was typically below the state averages and slightly above the national averages.

Unemployment Rates in the Springfield MSA				
Area	April 2024	April 2023	April 2022	April 2021
	%	%	%	%
Springfield MSA	4.6	3.7	4.1	5.8
State	4.8	4.2	4.5	6.7
National Average	3.9	3.4	3.7	6.1

*Source: Bureau of Labor Statistics; Illinois Department of Employment Security*

**Competition**

The AA has a significant level of competition for loans and deposits. Data from the FDIC Deposit Market Share report as of June 30, 2023, shows 81 offices of 26 financial institutions operating within the AA. HPB maintains a 0.7 percent deposit market share in the AA, ranking it 19<sup>th</sup> among all institutions.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2022, the most recent year for which aggregate data is available, 4,540 home mortgage loans were originated or purchased. HPB ranked 26<sup>th</sup> out of all HMDA reporters in the area with a market share of 0.6 percent; the bank with the highest market share held 11.3 percent. The five most prominent home mortgage lenders accounted for 44.7 percent of the total market share, indicating a competitive market.

Although the bank is not required to collect or report small business loan data pursuant to the reporting requirements of the CRA, aggregate data provides insight into the level of small business lending within the AA. The most recent aggregate small business lending data available (2022) reflects that 72 reporting lenders originated or purchased 3,045 small business loans within the AA. This indicates a highly competitive market for these types of loans.

### **Community Contacts**

Examiners used one recent community contact from the AA. The contact stated major employers are government, school district, universities and hospitals. The contact opined the number of people working has increased since the pandemic. The contact noted there was a lot of new construction (2023) and there has been a lot of public spending on capital improvement projects. The contact mentioned there is a need for affordable housing, multi-family housing and money for small business start-ups. The contacts also stated that financial institutions in the area are meeting credit needs.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business and affordable housing loans represent primary credit needs in the area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SPRINGFIELD, IL MSA AA**

### **LENDING TEST**

HPB exhibited excellent performance under the Lending Test throughout the Springfield MSA. This conclusion is supported by excellent Geographic Distribution and Borrowers Profile for both product lines, as detailed in the supporting comments.

### **Geographic Distribution**

The geographic distribution of loans reflects excellent dispersion throughout this AA, especially when considering the bank's location. This conclusion is supported by excellent distribution of home mortgage loans, which carries more weight, and reasonable small business loan distribution. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts. It is important to note that HPB operates one office in this MSA in an upper-income census tract on the west side of Springfield, which is a considerable distance from a majority of the low- and moderate-income tracts.

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

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the AA for both low- and moderate-income geographies. As detailed in the following table, lending in the low-income census tracts in 2022 was more than double the demographic and three times that of aggregate performance. In 2023, the bank's performance is more than double the demographic. Lending in moderate-income census tracts was significantly above both the demographic and aggregate performance in 2022. In addition, lending in moderate-income census tracts was significantly above the demographic in 2023.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Springfield IL MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2022	7.4	6.0	5	17.9	260	3.1
2023	7.4	--	4	15.4	156	4.8
<b>Moderate</b>						
2022	18.2	23.0	9	32.1	1,465	17.6
2023	18.2	--	12	46.2	1,029	31.7
<b>Middle</b>						
2022	36.4	32.8	7	25.0	668	8.0
2023	36.4	--	5	19.2	672	20.7
<b>Upper</b>						
2022	38.1	38.2	7	25.0	5,927	71.2
2023	38.1	--	5	19.2	1,388	42.8
<b>Not Available</b>						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>8,321</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>26</b>	<b>100.0</b>	<b>3,246</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

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

The geographic distribution of small business loans reflects reasonable dispersion overall. Small business lending in low-income census tracts exceeded the demographic in 2022. Although the bank is not required to report data, aggregate data is another indicator of demand. In 2022, lenders who reported data made 11.2 of their loans in low-income census tracts which the bank also exceeded. The bank originated no loans in low-income census tracts in 2023, which is significantly below the demographic. Within the moderate-income census tracts, one loan was originated in 2022. The bank's performance in the moderate-income census tract is below the demographic in 2022 but almost double the demographic in 2023. Aggregate lending in 2022 was 18.6 percent and slightly above the bank's performance. In addition, the bank's sole branch (upper-income tract) in this AA, in relation to the low- and moderate-income tracts, is a few miles from the closest low- or moderate-income census tract. Given the location of the branch and small business loan dispersion shown in the table below, the bank's performance is reasonable.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Springfield, IL MSA</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>					
2022	11.2	1	16.7	200	11.6
2023	11.8	--	0.0	--	0.0
<b>Moderate</b>					
2022	23.7	1	16.7	50	2.9
2023	21.7	4	40.0	1,800	67.2
<b>Middle</b>					
2022	23.0	-	0.0	-	0.0
2023	21.8	-	0.0	--	0.0
<b>Upper</b>					
2022	40.4	4	66.6	1,469	85.5
2023	44.7	6	60.0	880	32.8
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>1,719</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>2,680</b>	<b>100.0</b>
<i>Source: 2022 and 2023 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

### **Borrower Profile**

The distribution of borrowers in the Springfield MSA AA is excellent. This conclusion is supported by home mortgage performance being excellent which is weighted more than small business lending which is reasonable. Examiners focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less. They also focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

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

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. Lending to low-income borrowers was below the demographic, but in line with aggregate performance in 2022. While the bank's performance trailed the demographic, aggregate performance is usually a more reliable indicator of loan demand. Also, of the percentage of families that are low-income, 9.4 percent live below the poverty level. These individuals struggle to obtain mortgage financing due to incomes that do not support underwriting approval. In 2023, the bank's performance was comparable to the demographic. The bank's performance to low-income borrowers is considered reasonable.

The distribution of loans to moderate-income borrowers is significantly greater than the demographic and aggregate data for 2022. While the number of loans originated to moderate-income borrowers declined from 2022 to 2023, the percentage of loans to borrowers in this category

is double the demographic. The bank’s performance to moderate-income borrowers is considered excellent.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Springfield, IL MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2022	23.5	14.3	4	14.3	287	3.5
2023	23.5	--	6	23.1	413	12.7
<b>Moderate</b>						
2022	15.8	19.1	14	50.0	1,260	15.1
2023	15.8	--	9	34.6	844	26.0
<b>Middle</b>						
2022	21.0	18.2	4	14.3	743	8.9
2023	21.0	--	7	26.9	1,051	32.4
<b>Upper</b>						
2022	39.7	27.2	2	7.1	1,047	12.6
2023	39.7	--	4	15.4	938	28.9
<b>Not Available</b>						
2022	0.0	21.1	4	14.3	4,984	59.9
2023	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>8,321</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>--</b>	<b>26</b>	<b>100.0</b>	<b>3,246</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data, 2022 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 performance, overall. The bank’s performance of lending to small businesses with GARs of \$1 million or less in 2022 was below the demographic; however, aggregate lending in this AA was 54.1 percent for which HPB exceeded. Aggregate lending is usually a much stronger indicator of loan demand as not all small businesses are in need of a loan. In 2023, the bank’s performance was lower than the demographic. The following table provides additional information.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Springfield, IL MSA</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2022	84.4	4	66.7	676	39.3
2023	86.2	4	40.0	400	14.9
<b>&gt;\$1,000,000</b>					
2022	3.7	2	33.3	1,043	60.7
2023	3.3	6	60.0	2,280	85.1
<b>Revenue Not Available</b>					
2022	11.9	-	-	-	-
2023	10.6	--	--	--	--
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>1,719</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>2,680</b>	<b>100.0</b>
<i>Source: 2022 and 2023 D&amp;B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

## **COMMUNITY DEVELOPMENT TEST**

HPB demonstrated adequate responsiveness to the community development needs of this AA through community development loans, qualified investments, and community development services. The bank's level of community development activity was compared to three SSIs with similar lending focuses operating in the AA. These SSIs had total assets ranging from approximately \$457 million to \$5.0 billion. Overall, community development activities were in line with the activity of SSIs in the AAs. Additionally, there is significant competition for community development loans and investments within this AA given there are 26 institutions with 81 offices in operation reporting deposits and 72 lenders reporting small business loans.

### **Community Development Loans**

The bank originated two qualified community development loans totaling approximately \$1.5 million in this AA, which is below that of the SSI's used as comparable institutions whose community development loans ranged from \$4.8 million to \$19 million. HPB's loans promoted community service. The community development loans, during the current review period, represent 0.4 percent of average net loans since the previous evaluation. This level of lending is not in line with SSIs which had community development loan to average net loan ratios ranging from 0.8 to 2.0 percent.

### **Qualified Investments**

During the review period, the bank made 45 qualified investments totaling \$488,380 in the AA. These investments benefited affordable housing and Community Service. Three of the investments benefited low- and moderate-income borrowers for affordable housing. This level of qualified investments, by dollar volume, represents 0.26 percent of average securities and 0.07 percent of average assets. Qualified investments are in-line with SSIs who had total qualified investments ranging from \$460,000 to 893,000. Their level of qualified investments represents a range from 0.0 to 0.62 percent of average securities and 0.0 to 0.12 percent of average assets since the last evaluation.

### **Community Development Services**

During the evaluation period, bank employees provided 19 instances of financial expertise or technical assistance to nine different community development-related organizations in this AA. This level of services compares favorably to the three SSIs who provided between 1 and 45 instances (1, 9, and 45).

HPB operates one office in this AA in an upper-income census tract. This branch continues to actively originate government mortgage loan programs through the FHLB, the Illinois Housing Development Authority, and its correspondent bank. These mortgage loan programs provide affordable loan rates with low-down payment requirements for primarily low- and moderate-income families. The bank provided funding support for 9 grants totaling \$79,196, and 8 government loan (VA/FHA/USDA) for approximately \$3.8 million during the review period.

## 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 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;
- 4) The geographic distribution of the bank's loans; 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.

**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.