Community Reinvestment Act Public File

Contents

Facility Based Assessment Area Map

CRA-Related Consumer Complaints

Products and Services

Branch Location/Geography

Hours of Operation

Branch Openings/Closings

Loan to Deposit Ratio

HMDA Disclosure

Deposit Fee Schedule

Loan Fee Schedule

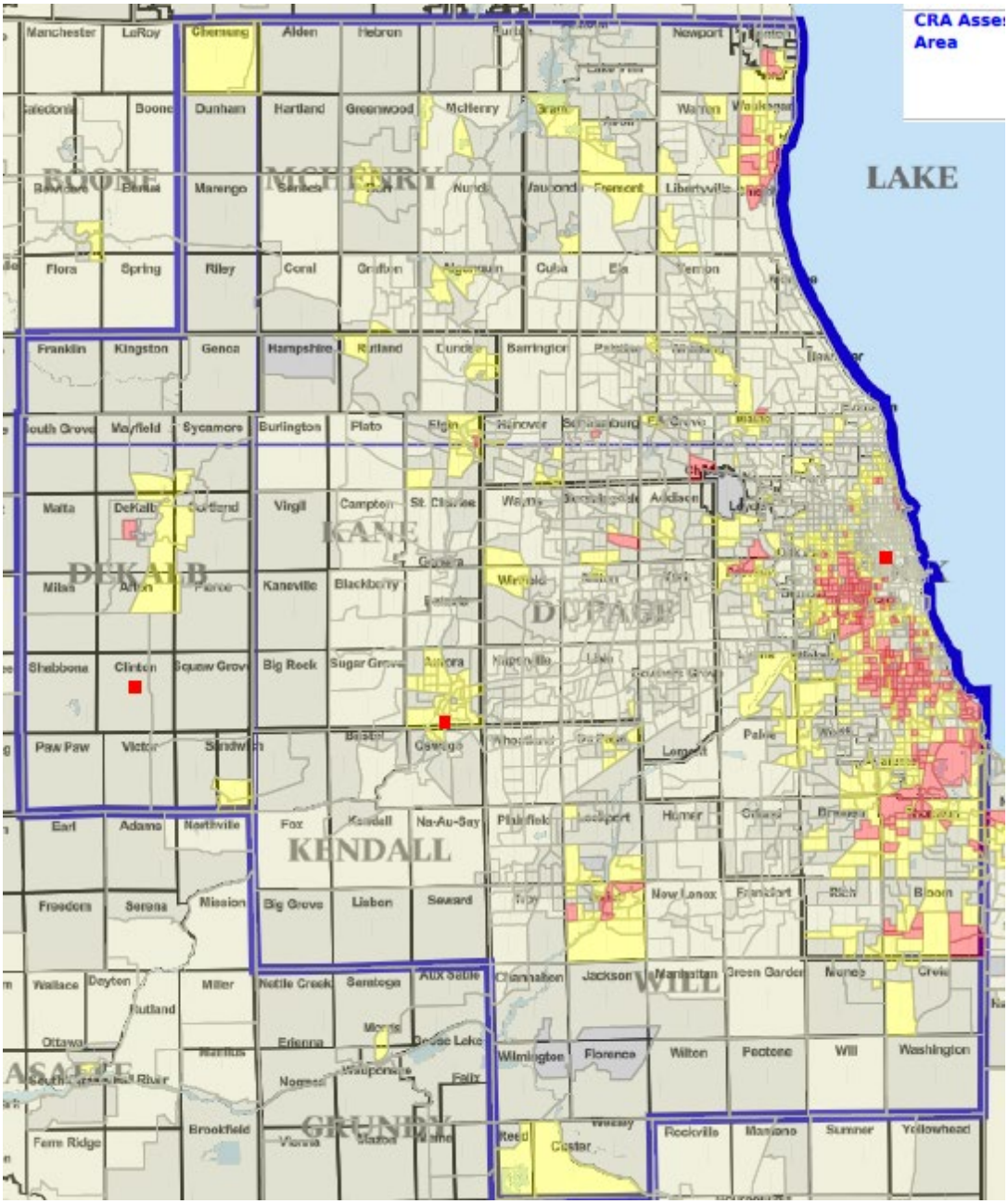
Census Tract Listing

CRA Performance Evaluation

April 1, 2026

Waterman Bank CRA Assessment Area

All of McHenry, Lake, Dekalb, Kane, DuPage, Cook, Kendall, and Will Counties in Illinois.



Waterman Bank

Consumer Related Comments and Responses

A review of the complaint activity as of April 1, 2026, shows no consumer comments/complaints related to CRA matters have been received in the past quarter.

Prior to January 1, 2026, there were no consumer comments/complaints with regards to CRA received in the prior three years.

Waterman Bank

Products and Services

Personal Checking

High Yield Savings

Money Market

Christmas Club

Certificates of Deposit/IRA

Business Checking

Business Savings

Business Money Market

Commercial Loans

- Lines of Credit
- SBA Loans
- Real Estate
- Equipment Financing
- Farm Loans

Debit Cards

Check Re-Orders

Check Imaging

Safe Deposit Boxes

Mortgage Loans

- Purchase (Fixed/Adjustable)
- Refinance (Fixed/Adjustable)
- Home Equity
- Home Equity Line of Credit (HELOC)
- Conventional
- FHA
- VA
- USDA
- Bridge
- Jumbo
- IHDA/MPP

Consumer Loans (vehicle, boat, savings)

Home Equity Lines of Credit

Online Banking

Mobile Banking

Mobile Deposit

Bill Payment

Zelle

Transfer Now

Waterman Bank

Branch Addresses, Geography, Hours of Operation

The Bank has three offices.

Waterman Branch (Main)
248 W. Lincoln Hwy.
Waterman, IL 60556

Lobby Hours
Mon-Fri: 9:00 am – 3:00 pm
Sat: 9:00 am – 12:00 pm

Drive-Through Hours
Mon-Fri: 8:00 am – 5:00 pm
Sat: 8:00 am – 12:00 pm

MSA: 20994 - State: 17 - County: 037 - Tract Code: 0018.00

Chicago Branch
1747 W. North Ave. Unit C
Chicago, IL 60622

Lobby Hours
Mon-Fri: 9:00 am – 5:00 pm

MSA: 16984 - State: 17 - County: 031 - Tract Code: 2415.00

Montgomery Branch
1333 Douglas Ave.
Montgomery, IL 60538

Lobby Hours
Mon-Tues: 9:00 am – 5:00 pm
Thurs-Fri: 9:00 am – 5:00 pm
Sat: 9:00 am – 12:00 pm
Closed Wednesday

Drive-Through Hours
Mon-Tues 9:00 am – 5:00 pm
Wed – 9:00 am – 12:00 pm
Thurs-Fri 9:00 am – 5:00 pm
Sat: 9:00 am – 12:00 pm

MSA: 20994 - State: 17 - County: 089 - Tract Code: 8540.02

Branch Openings/Closings

- 2023: Bank of Montgomery was purchased and is now a Waterman Bank branch in Montgomery IL.
- 2022: The Chicago office was opened.

Loan to Deposit Ratio

2024

- March – 79.36%
- June – 86.31%
- September – 87.71%
- December – 81.45%

2025

- March – 64.79%
- June – 81.44%
- September – 81.13%
- December – 85.00%

Home Mortgage Disclosure Act (HMDA)

The HMDA data about our residential mortgage lending are available online for review. The data show geographic distribution of loans and applications; ethnicity, race, sex, age, and income of applicants and borrowers; and information about loan approvals and denials. These data are available online at the Consumer Financial Protection Bureau's Web site (*www.consumerfinance.gov/hmda*). *HMDA data for many other financial institutions are also available at this Web site.*

WATERMAN BANK
SCHEDULE OF FEES

Cashier's check (account holders only) $5.00
Money order (account holders only) $2.50
Stop payment request $25.00
Stop payment renewal $20.00
Overdraft[1] / Return Check / NSF $35.00
Continuous overdraft fee[2] (per day) $5.00
Dormant fee, monthly $5.00
Debit card replacement $5.00
Statement copy $5.00
Canceled check copy (up to 6, per item) $5.00
Reconciliation / Research (per hour, $25 minimum) $50.00
Garnishment / Levy $50.00
Wire transfer, domestic outgoing $30.00
Wire transfer, international outgoing $50.00
Wire transfer, incoming ..... No charge
Photocopy (per page) $0.25
Fax (per page) $2.00
Coin counting (customers) ..... No charge
Coin counting (non-customers) 10%
Account closed within 90 days of opening $30.00
ATM transactions on-us ..... No charge
ATM transactions not on-us ..... No charge
Notary public ..... No charge
Check printing ..... Price varies

SAFE DEPOSIT BOX ANNUAL RENTAL FEES

Waterman Branch

Box size 2.75"X5" $20.00
Box size 3.75"X5" $25.00
Box size 3"X10" $35.00
Box size 5"X10" $40.00
Box size 8"X10" $50.00
Box size 10"X10" $60.00

Montgomery Branch

Box size 2"X5" $20.00
Box size 3"X5" $22.00
Box size 3"X10" $35.00
Box size 6"X10" $49.00
Box size 9"X10" $55.00

Safe deposit box lost key $20.00
Drill safe deposit box $125.00

EQUAL HOUSING LENDER MEMBER FDIC

[1] This fee applies to overdrafts created by check, ATM, in-person withdrawal, bank fees, service charges or other electronic means.

[2] A continuous overdraft fee will be assessed on the 11th business day on accounts with a negative balance of $100.00 or greater.

Waterman Bank Sample Loan Fees

Closing Cost Details

Loan Costs

A. Origination Charges	$1,595
% of Loan Amount (Points)	
Underwriting Fees	$1,595

B. Services You Cannot Shop For	$799
Appraisal Fee	$525
Credit Report	$266
Flood Certification	$8

C. Services You Can Shop For	$3,995
Title - Chain of Title	$250
Title - Closing Fee	$2,052
Title - Closing Protection Letter	$75
Title - Courier Fee	$50
Title - Email	$50
Title - IL Title Policy Fee	$3
Title - ILPD Cert	$100
Title - Lender's Title Insurance	$595
Title - Record Service Fee	$25
Title - Tax Related Service Fee	$200
Title - Title Endorsement Fee	$370
Title - Title Search	$175
Title - Wire Transfer Fee	$50

D. TOTAL LOAN COSTS (A + B + C)	$6,389

Other Costs

E. Taxes and Other Government Fees	$224
Recording Fees and Other Taxes	$224
Transfer Taxes	

F. Prepaids	$3,457
Homeowner's Insurance Premium (12 months)	$2,500
Mortgage Insurance Premium (months)	
Prepaid Interest ($68.36 per day for 14 days @5.75 %)	$957
Property Taxes (months)	

G. Initial Escrow Payment at Closing			$6,682
Homeowner's Insurance	$208.33 per month for 3	mo.	$625
Mortgage Insurance	per month for	mo.	
Property Taxes	$1,211.46 per month for 5	mo.	$6,057

H. Other	$600
Buyers Attorney Fee	$600

I. TOTAL OTHER COSTS (E + F + G + H)	$10,963

J. TOTAL CLOSING COSTS	$17,352
D + I	$17,352
Lender Credits	

Calculating Cash to Close

Total Closing Costs (J)	$17,352
Closing Costs Financed (Paid from your Loan Amount)	$0
Down Payment/Funds from Borrower	$107,000
Deposit	-$10,700
Funds for Borrower	$0
Seller Credits	$0
Adjustments and Other Credits	$0
Estimated Cash to Close	$113,652

2025 Census Tract Geography Listing

Cook County: State Code: 17, County Code: 031, Tracts:

0101.00, 0102.01, 0102.02, 0103.00, 0104.00, 0105.01, 0105.02, 0105.03, 0106.00, 0107.01, 0107.02, 0201.00, 0202.00, 0203.01, 0203.02, 0204.00, 0205.00, 0206.01, 0206.02, 0207.01, 0207.02, 0208.01, 0208.02, 0209.01, 0209.02, 0301.01, 0301.02, 0301.03, 0301.04, 0302.00, 0303.00, 0304.00, 0305.00, 0306.01, 0306.03, 0306.04, 0307.01, 0307.02, 0307.03, 0307.06, 0308.00, 0309.00, 0310.00, 0311.00, 0312.00, 0313.00, 0314.00, 0315.01, 0315.02, 0317.00, 0318.00, 0319.00, 0321.00, 0401.00, 0402.01, 0402.02, 0403.00, 0404.01, 0404.02, 0406.00, 0407.00, 0408.00, 0409.00, 0501.00, 0502.00, 0503.00, 0505.00, 0506.00, 0507.00, 0508.00, 0509.00, 0510.00, 0511.00, 0512.00, 0513.00, 0514.00, 0601.00, 0602.00, 0603.00, 0604.00, 0605.00, 0608.00, 0609.00, 0610.00, 0611.00, 0612.00, 0615.00, 0618.00, 0619.01, 0619.02, 0620.00, 0621.00, 0622.00, 0623.00, 0624.00, 0625.00, 0626.00, 0627.00, 0628.00, 0629.00, 0630.00, 0631.00, 0632.00, 0633.01, 0633.02, 0633.03, 0634.00, 0701.01, 0701.02, 0701.03, 0702.00, 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8241.13, 8241.14, 8241.15, 8241.16, 8241.19, 8241.21, 8241.22, 8241.23, 8241.24, 8241.25, 8241.26, 8241.27, 8241.28, 8241.29, 8243.00, 8244.00, 8245.03, 8245.05, 8245.07, 8245.08, 8245.09, 8246.01, 8246.02, 8247.01, 8247.02, 8248.00, 8249.00, 8250.00, 8252.00, 8253.02, 8253.03, 8253.04, 8254.00, 8255.01, 8255.03, 8255.04, 8255.05, 8256.00, 8257.00, 8258.01, 8258.02, 8258.03, 8259.00, 8260.00, 8261.00, 8262.01, 8262.02, 8263.01, 8263.03, 8263.04, 8264.01, 8264.02, 8265.00, 8266.00, 8267.00, 8268.00, 8269.01, 8269.02, 8270.00, 8271.00, 8272.00, 8273.00, 8274.00, 8275.00, 8276.00, 8277.00, 8278.01, 8278.02, 8278.04, 8278.05, 8279.01, 8279.02, 8280.00, 8281.00, 8282.01, 8282.02, 8283.00, 8284.01, 8284.02, 8285.03, 8285.04, 8285.05, 8285.07, 8285.08, 8286.01, 8286.02, 8287.01, 8287.02, 8288.01, 8288.02, 8289.00, 8290.00, 8291.00, 8292.00, 8293.01, 8293.02, 8294.01, 8294.02, 8295.00, 8296.00, 8297.00, 8298.00, 8299.02, 8299.03, 8299.04, 8300.01, 8300.03, 8300.04, 8300.05, 8300.06, 8300.07, 8300.08, 8301.00, 8302.01, 8302.02, 8303.00, 8304.00, 8305.00, 8306.00, 8307.00, 8308.00, 8309.00, 8310.00, 8311.00, 8312.00, 8313.00, 8314.00, 8315.00, 8316.00, 8317.00, 8318.00, 8319.00, 8320.00, 8321.00, 8322.00, 8323.00, 8324.00, 8325.00, 8326.00, 8329.00, 8330.00, 8331.00, 8333.00, 8339.00, 8340.00, 8342.00, 8343.00, 8344.00, 8345.00, 8346.00, 8347.00, 8348.00, 8349.00, 8350.00, 8351.00, 8352.00, 8355.00, 8356.00, 8358.00, 8360.00, 8361.00, 8362.00, 8363.00, 8364.00, 8365.00, 8366.00, 8367.00, 8368.00, 8369.00, 8370.00, 8371.00, 8373.00, 8374.00, 8378.00, 8380.00, 8381.00, 8382.00, 8383.00, 8386.00, 8387.00, 8388.00, 8390.00, 8391.00, 8392.00, 8395.00, 8396.00, 8397.00, 8398.00, 8399.00, 8400.00, 8401.00, 8402.00, 8403.00, 8404.00, 8407.00, 8408.00, 8410.00, 8411.00, 8412.00, 8413.00, 8415.00, 8417.00, 8418.00, 8419.00, 8420.00, 8421.00, 8422.00, 8423.00, 8424.00, 8425.00, 8426.00, 8428.00, 8429.00, 8430.00, 8431.00, 8432.00, 8433.00, 8434.00, 8435.00, 8436.00, 8437.00, 8438.00, 8439.00, 8446.00, 8447.00, 9800.00, 9801.00, 9900.00

DeKalb County: State Code: 17, County Code: 037, Tracts:

0001.00, 0002.00, 0003.00, 0004.01, 0004.02, 0005.00, 0006.00, 0007.00, 0008.00, 0009.00, 0010.02, 0010.03, 0010.04, 0013.00, 0014.00, 0015.00, 0016.00, 0017.00, 0018.00, 0019.00, 0020.00, 0021.00, 0022.00

DuPage County: State Code: 17, County Code: 043, Tracts:

8400.00, 8401.01, 8401.02, 8401.03, 8401.04, 8402.01, 8402.02, 8403.03, 8403.04, 8406.00, 8407.03, 8407.04, 8407.05, 8407.06, 8408.01, 8408.02, 8409.01, 8409.04, 8409.06, 8409.07, 8409.08, 8409.10, 8409.11, 8410.02, 8410.03, 8410.04, 8411.02, 8411.03, 8411.04, 8411.08, 8411.09, 8411.10, 8411.11, 8411.12, 8411.13, 8411.14, 8412.04, 8412.05, 8412.06, 8412.07, 8412.08, 8412.09, 8412.10, 8413.07, 8413.08, 8413.10, 8413.12, 8413.13, 8413.14, 8413.15, 8413.16, 8413.18, 8413.20, 8413.21, 8413.22, 8413.23, 8413.24, 8413.25, 8413.26, 8413.27, 8414.01, 8414.03, 8414.04, 8415.01, 8415.03, 8415.04, 8416.03, 8416.04, 8416.05, 8416.06, 8416.07, 8417.04, 8417.05, 8417.06, 8417.07, 8417.08, 8418.01, 8418.02, 8419.01, 8419.02, 8420.00, 8421.00, 8422.00, 8423.00, 8424.00, 8425.00, 8426.01, 8426.02, 8426.03, 8426.04, 8426.05, 8427.02, 8427.03, 8427.04, 8427.06, 8427.08, 8427.09, 8427.10, 8427.11, 8428.00, 8429.00, 8430.00, 8431.00, 8432.00, 8433.01, 8433.02, 8434.00, 8435.00, 8436.01, 8436.02, 8437.00, 8438.00, 8439.00, 8440.01, 8440.02, 8441.00, 8442.01, 8442.02, 8443.04, 8443.05, 8443.06, 8443.07, 8443.08, 8443.09, 8443.10, 8444.01, 8444.02, 8445.01, 8445.02, 8446.01, 8446.02, 8447.01, 8447.02, 8448.01, 8448.02, 8449.01, 8449.02, 8450.00, 8451.00, 8452.00, 8453.00, 8454.01, 8454.02, 8455.02, 8455.05, 8455.06, 8455.07, 8455.08, 8455.09, 8455.10, 8456.01, 8456.02, 8457.01, 8457.02, 8457.03, 8457.04, 8458.02, 8458.03, 8458.05, 8458.07, 8458.08, 8458.09, 8458.10, 8458.11, 8459.01, 8459.02, 8460.02, 8460.03, 8460.04, 8461.02, 8461.03, 8461.04, 8461.05, 8461.06, 8462.01, 8462.02, 8462.03, 8462.05, 8462.06, 8462.07, 8462.08, 8462.09, 8463.04, 8463.05, 8463.07, 8463.08, 8463.10, 8463.11, 8463.12, 8463.13, 8463.14, 8463.15, 8464.04, 8464.05, 8464.08, 8464.09, 8464.10, 8464.11, 8464.12, 8464.13, 8465.04, 8465.07, 8465.09, 8465.10, 8465.11, 8465.13, 8465.14, 8465.15, 8465.17, 8465.18, 8465.19, 8465.21, 8465.22, 8465.23, 8465.24, 8466.03, 8466.04, 8467.01, 8467.02

Kane County: State Code: 17, County Code: 089, Tracts:

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Kendall County: State Code: 17, County Code: 093, Tracts:

8901.03, 8901.04, 8901.05, 8901.06, 8901.07, 8901.08, 8902.01, 8902.02, 8903.01, 8903.02, 8904.01, 8904.02, 8904.03, 8904.04, 8905.01, 8905.02, 8906.01, 8906.02, 8907.01, 8907.02, 8907.03

Lake County: State Code: 17, County Code: 097, Tracts:

8601.03, 8601.04, 8601.05, 8601.06, 8602.00, 8603.01, 8603.02, 8604.00, 8605.00, 8606.00, 8608.05, 8608.06, 8608.07, 8608.08, 8608.09, 8608.11, 8608.12, 8608.13, 8609.03, 8609.05, 8609.06, 8609.07, 8609.08, 8610.07, 8610.08, 8610.09, 8610.10, 8610.11, 8610.12, 8610.13, 8610.14, 8611.05, 8611.06, 8611.07, 8611.08, 8612.01, 8612.02, 8613.01, 8613.03, 8613.04, 8614.02, 8614.03, 8614.04, 8615.04, 8615.05, 8615.06, 8615.07, 8615.08, 8615.09, 8615.10, 8616.03, 8616.04, 8616.07, 8616.08, 8616.09, 8616.10, 8616.11, 8617.01, 8617.02, 8618.03, 8618.04, 8619.01, 8619.02, 8620.00, 8621.00, 8622.00, 8623.00, 8624.01, 8624.02, 8625.01, 8625.02, 8626.03, 8626.04, 8626.05, 8627.00, 8628.00, 8629.01, 8629.02, 8630.03, 8630.04, 8630.05, 8630.06, 8631.00, 8632.01, 8632.02, 8633.00, 8634.00, 8635.00, 8636.01, 8636.03, 8636.04, 8637.01, 8637.02, 8638.01, 8639.02, 8639.03, 8639.04, 8640.01, 8640.02, 8641.05, 8641.06, 8641.07, 8641.08, 8641.09, 8641.10, 8642.03, 8642.04, 8642.06, 8642.07, 8642.08, 8643.03, 8643.05, 8643.06, 8643.07, 8643.08, 8644.02, 8644.03, 8644.07, 8644.08, 8644.09, 8644.10, 8644.11, 8644.12, 8645.10, 8645.11, 8645.12, 8645.13, 8645.14, 8645.15, 8645.16, 8645.17, 8645.18, 8645.19, 8645.20, 8645.21, 8645.22, 8645.23, 8645.24, 8646.01, 8646.02, 8647.00, 8648.01, 8648.02, 8649.01, 8649.03, 8649.04, 8650.00, 8652.00, 8653.00, 8654.00, 8655.01, 8655.02, 8656.00, 8657.00, 8658.01, 8658.02, 8660.00, 8661.00, 8662.00, 9900.00

McHenry County: State Code: 17, County Code: 111, Tracts:

8701.03, 8701.04, 8701.05, 8701.06, 8702.00, 8703.01, 8703.02, 8704.02, 8704.03, 8704.04, 8705.01, 8705.02, 8706.03, 8706.04, 8706.05, 8706.06, 8707.02, 8707.03, 8707.04, 8708.07, 8708.08, 8708.09, 8708.10, 8708.11, 8708.12, 8708.13, 8708.14, 8709.03, 8709.04, 8709.05, 8709.06, 8709.07, 8710.03, 8710.04, 8711.05, 8711.07, 8711.08, 8711.09, 8711.10, 8711.11, 8711.12, 8711.13, 8711.14, 8711.15, 8712.01, 8712.02, 8712.05, 8712.06, 8712.07, 8712.08, 8712.09, 8713.01, 8713.04, 8713.05, 8713.07, 8713.10, 8713.11, 8713.12, 8713.13, 8714.02, 8714.04, 8715.01, 8715.02, 8716.00

Will County: State Code: 17, County Code: 197, Tracts:

8801.05, 8801.06, 8801.07, 8801.09, 8801.11, 8801.12, 8801.13, 8801.14, 8801.15, 8801.16, 8801.17, 8801.18, 8801.19, 8801.22, 8801.23, 8801.24, 8801.25, 8802.02, 8802.03, 8802.04, 8803.03, 8803.04, 8803.05, 8803.07, 8803.09, 8803.14, 8803.15, 8803.16, 8803.17, 8803.18, 8803.19, 8803.20, 8803.21, 8803.22, 8803.23, 8803.24, 8803.25, 8803.26, 8804.08, 8804.11, 8804.12, 8804.14, 8804.16, 8804.17, 8804.18, 8804.21, 8804.22, 8804.23, 8804.24, 8804.25, 8804.26, 8804.27, 8804.28, 8804.29, 8804.30, 8804.31, 8804.32, 8805.02, 8805.03, 8805.08,

8805.09, 8805.10, 8805.11, 8806.01, 8806.02, 8807.01, 8807.02, 8809.01, 8809.03, 8809.05, 8810.01, 8810.02, 8810.05, 8810.06, 8810.07, 8810.09, 8810.10, 8810.11, 8810.12, 8811.05, 8811.07, 8811.08, 8811.09, 8811.11, 8811.12, 8811.13, 8811.15, 8811.16, 8812.01, 8812.02, 8813.01, 8813.02, 8814.01, 8814.02, 8815.00, 8816.01, 8816.03, 8816.04, 8817.00, 8818.00, 8819.00, 8820.00, 8821.00, 8822.00, 8823.00, 8824.00, 8825.00, 8826.01, 8826.02, 8827.01, 8827.02, 8828.01, 8828.02, 8829.00, 8830.00, 8831.00, 8832.06, 8832.08, 8832.09, 8832.10, 8832.11, 8832.12, 8832.13, 8832.14, 8832.16, 8832.17, 8832.18, 8832.19, 8833.03, 8833.04, 8833.05, 8833.06, 8833.07, 8834.01, 8834.02, 8835.04, 8835.05, 8835.07, 8835.09, 8835.10, 8835.11, 8835.13, 8835.14, 8835.15, 8835.16, 8835.17, 8835.19, 8835.21, 8835.22, 8836.02, 8836.03, 8836.05, 8836.06, 8837.00, 8838.03, 8838.04, 8838.06, 8838.08, 8838.09, 8838.10, 8838.11, 8839.02, 8839.03, 8839.04, 8840.03, 8840.04, 8840.05, 8840.06, 8841.01, 8841.03, 9800.00, 9801.00

PUBLIC DISCLOSURE

March 15, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Waterman State Bank
Certificate Number: 10878

244 West Lincoln Street
Waterman, Illinois 60556

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.

TABLE OF CONTENTS

INSTITUTION RATING 1
DESCRIPTION OF INSTITUTION 2
DESCRIPTION OF ASSESSMENT AREA 3
SCOPE OF EVALUATION 7
CONCLUSIONS ON PERFORMANCE CRITERIA 8
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW 15
APPENDICES 16
SMALL BANK PERFORMANCE CRITERIA 16
GLOSSARY 17

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

Waterman State Bank's (WSB) Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize the bank's performance.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and credit needs in the AA.

- A substantial majority of loans are in the institution's AA.

- The geographic distribution of small business and small farm loans reflects reasonable dispersion throughout the AA, which supports this conclusion. The geographic distribution of home mortgage loans reflects poor dispersion throughout the AA.

- The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes, which supports this conclusion. The distribution of borrowers reflects poor penetration among individuals of different income levels for home mortgage loans.

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

DESCRIPTION OF INSTITUTION

WSB is a community bank headquartered in Waterman, Illinois. The sole office is located in downtown Waterman, approximately 60 miles west of Chicago, and approximately 12 miles south of DeKalb. No branches have opened or closed since the previous examination. WSB received a Satisfactory rating using Interagency Small Institution Examination Procedures at its most recent FDIC performance evaluation dated April 27, 2015.

On January 16, 2020, Waterman Acquisition Group (WAG), LLC of Wilmette, Illinois, purchased 100 percent of the outstanding shares of the bank from Waterman Bancshares, Inc. WAG, LLC is a one-bank holding company and has no subsidiaries or affiliates. The bank opened a Loan Production Office (LPO) in Chicago (1644 N. Honore St., Suite 206) on July 1, 2020. Also, the bank opened a second LPO on January 14, 2021 in West Palm Beach, Florida (215 S. Olive Avenue).

The bank's business strategy has changed since the change in ownership. WSB's lending operations and business focus historically consisted of the following three major segments: agricultural, non-farm non-residential real estate, and commercial and industrial loans. However, after the change in ownership, the bank's concentration in agricultural lending, as a percentage of its total loan portfolio, decreased as more loans were originated in the other major segments. In 2020, the bank's lending focus shifted to the following: residential mortgage lending for sale on the secondary market, agricultural land and operating lending, and commercial and industrial lending.

WSB offers a wide range of loan and deposit products for both commercial and retail customers. Commercial products include business deposit accounts, working capital lines of credit, equipment loans, Small Business Administration (SBA) loans, commercial real estate loans, agricultural loans, and merchant services. Additionally, the bank began originating loans under the Paycheck Protection Program (PPP) guaranteed by the SBA in 2020. This program was created in response to the Coronavirus Disease 2019 (COVID-19) pandemic in order to support small businesses.

WSB's retail products consist of an array of checking, savings, money market, certificates of deposit, overdraft protection, and individual retirement accounts, as well as mobile banking, online banking, and access to automated teller machines (ATMs). Consumer loan products include residential mortgage loans, home equity loans and lines of credit, and automobile loans. WSB has correspondent mortgage arrangements with investors on the secondary market for conventional residential loans.

According to the December 31, 2020 Consolidated Reports of Condition and Income (Call Report), WSB reported total assets of $60.7 million, total loans of $36.6 million, and total deposits of $39.0 million. WSB experienced growth in both assets and loans since the previous CRA evaluation; total assets increased $17.2 million, or 39.4 percent, and total loans increased $14.9 million, or 68.2 percent. There was significant loan growth by dollar volume in 1-4 family residential lending and commercial and industrial loans. More specifically, from December 31, 2014, to December 31, 2020, commercial and industrial lending increased $13.3 million (432.9 percent) and 1-4 family residential lending increased $6.9 million (212.8 percent). The significant growth in commercial lending is largely attributed to the bank's participation in the SBA's PPP in 2020.

Additionally, beginning in 2020, the bank opened a mortgage division and started offering home mortgages to be sold on the secondary market.

The bank's loan portfolio, as of December 31, 2020, is diversified between residential, commercial lending, and agricultural lending. The following table indicates that residential lending is currently the bank's primary focus.

Loan Portfolio Distribution as of 12/31/2020		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	2,226	6.1
Secured by Farmland	882	2.4
Secured by 1-4 Family Residential Properties	10,136	27.7
Secured by Multifamily (5 or more) Residential Properties	84	0.2
Secured by Nonfarm Nonresidential Properties	2,789	7.6
Total Real Estate Loans	**16,117**	**44.0**
Commercial and Industrial Loans	16,409	44.8
Agricultural Production and Other Loans to Farmers	3,882	10.6
Consumer Loans	375	1.0
Obligations of State and Political Subdivisions in the U.S.	58	0.2
Other Loans	-	0.0
Lease Financing Receivable (net of unearned income)	-	0.0
Less: Unearned Income	217	0.6
Total Loans	**36,624**	**100.0**
Source: 12/31/2020 Reports of Condition and Income		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. WSB designated a single AA, which was expanded since the previous evaluation. The AA initially consisted of two middle-income census tracts in the southern portion of DeKalb County, Illinois. After the ownership change in 2020, WSB expanded its AA to include the following whole Illinois counties: Cook, DeKalb, DuPage, Kane, Lake, McHenry, and Will counties. Cook, DuPage, McHenry, and Will counties are part of the Chicago-Naperville-Evanston, Illinois Metropolitan Division (MD); DeKalb and Kane counties are part of the Elgin Illinois MD; and Lake County is part of the Lake County-Kenosha County, Illinois-Wisconsin MD. All three MDs are part of the Chicago-Naperville-Elgin, Illinois-Indiana-Wisconsin Metropolitan Statistical Area (MSA) and will be considered as one AA for the purposes of this evaluation. The AA is consistent with the requirements of the CRA as it is comprised of whole geographies, does not arbitrarily exclude any low-or moderate-income geographies, and includes the census tract in which the bank operates its main office and deposit-taking ATM.

Economic and Demographic Data

Examiners used demographic data from the 2015 American Community Survey (ACS) compiled by the U.S. Census Bureau to analyze the bank's CRA performance. The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	1,996	14.1	24.0	28.6	32.4	0.9
Population by Geography	8,490,286	10.2	24.0	31.1	34.4	0.3
Housing Units by Geography	3,375,191	10.5	22.8	31.1	35.3	0.3
Owner-Occupied Units by Geography	1,955,016	4.5	18.1	34.8	42.5	0.1
Occupied Rental Units by Geography	1,111,331	17.7	29.8	26.3	25.6	0.7
Vacant Units by Geography	308,844	22.4	28.0	24.9	24.2	0.5
Businesses by Geography	632,479	4.9	15.6	28.9	50.1	0.5
Farms by Geography	9,881	3.5	15.8	39.3	41.4	0.1
Family Distribution by Income Level	2,008,369	23.5	16.3	18.5	41.6	0.0
Household Distribution by Income Level	3,066,347	25.5	15.3	17.0	42.3	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Evanston, IL		$75,024	Median Housing Value			$247,057
Median Family Income MSA - 20994 Elgin, IL		$80,899	Median Gross Rent			$1,052
Median Family Income MSA - 29404 Lake County-Kenosha County, IL-WI		$87,137	Families Below Poverty Level			10.5%

Source: 2015 ACS and 2020 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.

According to the 2015 ACS data, 4.5 percent of the owner-occupied housing units are in low-income census tracts and 18.1 percent are in moderate-income census tracts. The bank's performance under the Geographic Distribution criterion compares home mortgage loans to the percentage of owner-occupied units within geographies by income level. This characteristic provides some insight into the overall housing credit needs and demand in low- and moderate-income geographies, which are considered when evaluating WSB's geographic lending patterns.

The median housing value of $247,057 presents challenges to low- and moderate-income individuals in qualifying for mortgages. Low- and moderate-income families account for 23.5 percent and 16.3 percent of the families in the AA, respectively, or 39.8 percent combined, with 10.5 percent of families below the poverty level. The bank's performance under the Borrower Profile criterion compares home mortgage loans to the percentage of families by income level. The owner-occupancy demographic coupled with the contrast between median family income levels and

median housing values highlight difficulties that home mortgage lenders may face in providing traditional financing options to families on the lower end of the income spectrum.

The Federal Financial Institutions Examination Council (FFIEC)-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The following table 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%**
Chicago-Naperville-Evanston, IL MD				
2020 ($84,800)	<$42,400	$42,400 to <$67,840	$67,840 to <$101,760	≥$101,760
Elgin, IL MD				
2020 ($92,900)	<$46,450	$46,350 to <$74,320	$74,320 to <$111,480	≥$111,480
Lake County-Kenosha County, IL-WI MD				
2020 ($103,400)	<$51,700	$51,700 to <$82,720	$82,720 to <$124,080	≥$124,080
Source: FFIEC				

Unemployment levels in the three MDs in the AA generally decreased during the review period, suggesting an improving economy. However, the sharp increase in the 2020 average unemployment figures for the MDs, State of Illinois, and the U.S. was due to the COVID-19 pandemic and the mandatory stay-at-home order for all non-essential workers beginning in March 2020. The following table illustrates the unemployment rates for the MDs, state, and national levels during the review period.

Unemployment Rates						
	2015	**2016**	**2017**	**2018**	**2019**	**2020**
Area	**%**	**%**	**%**	**%**	**%**	**%**
Chicago-Naperville-Evanston, IL MD	6.0	5.8	4.9	4.0	3.6	10.3
Elgin, IL MD	5.7	5.5	4.8	4.7	4.4	9.0
Lake County-Kenosha County, IL-WI MD	5.3	5.1	4.4	4.3	4.1	7.9
Illinois	6.0	5.8	4.9	4.3	4.0	9.5
National Average	5.3	4.9	4.4	3.9	3.7	8.1
Source: Bureau of Labor Statistics						

Competition

WSB operates in a relatively competitive environment and faces competition from other financial institutions operating within the AA. According to the FDIC Deposit Market Share data as of June 30, 2020, 153 financial institutions operated 2,218 offices in the AA. WSB ranked 137th maintaining a 0.01 percent market share. The top five deposit-taking institutions, primarily composed of large regional and local banks, commanded 60.3 percent of the deposit market share.

The AA is a competitive market for home mortgage loans. Aggregate Home Mortgage Disclosure (HMDA) lending data for 2019, the most recent data available, reflects 286,899 home mortgage originations and purchases by 874 lenders. The top five home mortgage lenders in the area hold a combined market share of 30.7 percent. WSB is not required to collect or report HMDA home mortgage data and is not included in the previous numbers, but the data is presented to evidence local demand.

A relatively competitive environment exists for business lending in the AA. Aggregate small business lending in 2019 reflects 243 lenders originated 234,796 small business loans. The top five lenders accounted for 66.5 percent of all reported small business loans, by number. WSB is not required to collect or report CRA small business data and is not included in the previous numbers, but the data is presented to evidence local demand.

The AA is a competitive market for small farm lending. Aggregate small farm lending in 2019 reflects 36 lenders originated 759 small farm loans totaling $57,405,000. The top five lenders accounted for 68.5 percent of all reported small farm loans, by number. WSB is not required to collect or report CRA small farm data and is not included in the previous numbers, but the data is presented to evidence local demand.

Community Contacts

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

Examiners contacted a county economic development center in the AA. The contact identified a need for affordable multifamily housing units in the area. The contact further noted the rapid increase in poverty over the past 10 years, with high concentrations in the city of DeKalb. The contact indicated that area financial institutions have adequately responded to the area's credit needs. A second community contact conducted with a housing organization noted that there is a huge demand for affordable housing in the AA. The community contact noted that many clients are living doubled and tripled with other family members to avoid homelessness as there is no affordable housing available. The contact stated there have been significant job losses and unemployment due to COVID-19. The contact further noted there has been some bank involvement, but overall the contact believes banks have fallen short and need to do more to serve the community.

Credit Needs

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that home mortgage lending and affordable housing units are the primary credit needs for the AA. Home mortgage lending opportunities and requests for affordable housing demands are significant throughout the AA.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Small Institution Examination Procedures to evaluate the CRA performance. This evaluation covers the period from the previous evaluation dated April 27, 2015, to the current evaluation dated March 15, 2021. These procedures focus on the bank's performance under the Lending Test as outlined in the Small Bank Performance Criteria Appendix.

Activities Reviewed

Examiners determined WSB's current major product lines are home mortgage, small business, and small farm loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. The residential home mortgage lending is more broadly focused on the current AA, and agricultural and commercial lending continues to be focused around the bank's previous AA. No other loan types, such as consumer loans, represent a major product line or provide material support for conclusions or the rating.

With the exception of the significant lending volume in 2020 attributed to the bank's new correspondent mortgage lending program and SBA PPP lending, bank records indicate the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed home mortgage, small business, and small farm loans from 2017 to 2020 as this combined period more appropriately represented the bank's performance during the entire evaluation period.

Due to the change in ownership and business strategy, the weighting of the lending products was different during the review period. Small farm and small business lending received equal weight when deriving overall conclusions from 2017 through 2019, which reflects the bank's lending focus under the former ownership. Residential home mortgage lending received the most weight when deriving overall conclusions in 2020, which reflects the bank's lending focus under the new ownership. Also, based on the changes in ownership and strategy, greater weight was placed on the bank's performance during the time period before the changes occurred in January 2020. This earlier time period encompasses the majority of time since the previous evaluation conducted on April 27, 2015.

Home mortgage lending was not a business focus of the bank's previous ownership. Specifically, the bank did not originate any home mortgage loans in 2017 and 2018, and originated only two home mortgage loans totaling $270,000 in 2019. Therefore, examiners reviewed the entire universe of 211 home mortgage loans totaling $67.7 million in 2020. Of the 211 home mortgage loans extended in 2020, the bank originated and sold 204 loans totaling $66.5 million through the correspondent mortgage lending program. The 2015 ACS data provided a standard of comparison for the bank's home mortgage lending performance.

Examiners reviewed the entire universe of small business loan originated and renewed in 2017, 2018, 2019, and 2020. The universe was 7 loans in 2017 totaling $1.2 million, 7 loans in 2018 totaling $1.5 million, 4 loans in 2019 totaling $824,000, and 12 loans in 2020 totaling $3.1 million.

Examiners also reviewed a sample of 42 PPP loans totaling $6.4 million originated in 2020 (from a universe of 176 loans totaling $16.2 million). Additionally, examiners reviewed the entire universe of small farm loans originated and renewed in 2017, 2018, 2019, and 2020. The universe was 32 loans in 2017 totaling $3.6 million, 24 loans in 2018 totaling $4.0 million, 35 loans in 2019 totaling $3.4 million, and 21 loans in 2020 totaling $3.6 million. D&B data provided a standard of comparison for the bank's small farm and small business lending performance.

While examiners considered both number and dollar volume of home mortgage, small business, and small farm loans, discussion of performance is limited to the number loans, as performance by number of loans is a better indicator of the number of individuals, farms, and businesses served, and performance by dollar volume led to similar conclusions.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio

WSB's net LTD ratio is reasonable given the institution's size, financial condition, and credit needs of the AA. The bank's net LTD ratio, calculated from Call Report Data, averaged 60.7 percent over the past 23 calendar quarters from June 30, 2015, to December 31, 2020. The ratio ranged from a low of 46.2 percent (March 31, 2020) to a high of 120.6 percent (September 30, 2020). The LTD ratio has been trending upward since new ownership purchased the financial institution in 2020.

Loan-to-Deposit Ratio Comparison		
Bank	**Total Assets as of 12/31/2020 ($000s)**	**Average Net LTD Ratio (%)**
Waterman State Bank	**60,691**	**60.7**
Similarly-Situated Institution #1	44,519	38.0
Similarly-Situated Institution #2	96,618	59.3
Similarly-Situated Institution #3	117,774	81.2
Similarly-Situated Institution #4	153,749	51.9
Similarly-Situated Institution #5	177,665	58.7
Source: Reports of Condition and Income 06/30/2015 – 12/31/2020		

Assessment Area Concentration

WSB originated a substantial majority of loans in its AA. The bank's performance of extending home mortgage, small business, and small farm loans in its AA, by number and dollar volume, is provided in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	**Number of Loans**				**Total**	**Dollar Amount of Loans $(000s)**				**Total**
	Inside		**Outside**			**Inside**		**Outside**		
	#	**%**	**#**	**%**	**#**	**$**	**%**	**$**	**%**	**$(000s)**
Home Mortgage										
2020	153	72.5	58	27.5	211	49,050	72.5	18,618	27.5	67,668
Small Business										
2017	7	100.0	0	0.0	7	1,164	100.0	0	0.0	1,164
2018	6	85.7	1	14.3	7	1,024	67.2	500	32.8	1,524
2019	3	75.0	1	25.0	4	694	84.2	130	15.8	824
2020	39	72.2	15	27.8	54	3,992	42.0	5,518	58.0	9,510
Subtotal	**55**	**76.4**	**17**	**23.6**	**72**	**6,874**	**52.8**	**6,148**	**47.2**	**13,022**
Small Farm										
2017	32	100.0	0	0.0	32	3,605	100.0	0	0.0	3,605
2018	24	100.0	0	0.0	24	4,053	100.0	0	0.0	4,053
2019	35	100.0	0	0.0	35	3,444	100.0	0	0.0	3,444
2020	21	100.0	0	0.0	21	3,601	100.0	0	0.0	3,601
Subtotal	**112**	**100.0**	**0**	**0.0**	**112**	**14,703**	**100.0**	**0**	**0.0**	**14,703**
Source: Bank Data *Due to rounding, totals may not equal 100.0%*										

Geographic Distribution

Overall, the geographic distribution of loans reflects a reasonable dispersion throughout the AA. The bank's reasonable small business and small farm performance supports this conclusion. However, the bank's home mortgage performance is poor based on the limited loans originated in low- and moderate-income census tracts. Only loans originated in the AA are considered in this analysis. Examiners focused on the percentage of lending in low- and moderate-income census tracts.

Small Business Loans

The bank's small business lending reflects reasonable dispersion throughout the AA. As shown in the following table, in 2017 through 2019, the bank did not originate any small business loans in low- and moderate-income census tracts. However, this performance is considered reasonable because the bank recently expanded its AA after the ownership change. Specifically, before 2020, the bank's AA only consisted of two predominantly rural middle-income census tracts in the southern portion of DeKalb County. Additionally, in 2020, the bank's lending performance was comparable to demographic data in low-income census tracts and exceeded demographic data in moderate-income census tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
Low					
2017	4.9	0	0.0	0	0.0
2018	4.9	0	0.0	0	0.0
2019	4.9	0	0.0	0	0.0
2020	4.9	2	5.1	368	9.2
Moderate					
2017	15.7	0	0.0	0	0.0
2018	15.7	0	0.0	0	0.0
2019	15.5	0	0.0	0	0.0
2020	15.6	10	25.6	1,586	39.7
Middle					
2017	30.4	7	100.0	1,164	100.0
2018	30.2	6	100.0	1,024	100.0
2019	29.3	1	33.3	124	17.9
2020	28.9	10	25.6	745	18.7
Upper					
2017	48.4	0	0.0	0	0.0
2018	48.6	0	0.0	0	0.0
2019	49.8	2	66.7	570	82.1
2020	50.1	17	43.6	1,293	32.4
Not Available					
2017	0.5	0	0.0	0	0.0
2018	0.5	0	0.0	0	0.0
2019	0.5	0	0.0	0	0.0
2020	0.5	0	0.0	0	0.0
Totals					
2017	**100.0**	**7**	**100.0**	**1,164**	**100.0**
2018	**100.0**	**6**	**100.0**	**1,024**	**100.0**
2019	**100.0**	**3**	**100.0**	**694**	**100.0**
2020	**100.0**	**39**	**100.0**	**3,992**	**100.0**

Source: 2017, 2018, 2019 & 2020 D&B Data; 2017, 2018, 2019, & 2020 Bank Data
Due to rounding, totals may not equal 100.0%

Small Farm Loans

The bank's small farm lending performance reflects reasonable dispersion throughout the AA. As shown in the following table, although the bank originated all small farm loans in middle-income census tracts, this performance is considered reasonable. As previously mentioned, in 2017 through 2019, the bank's AA did not consist of any low- and moderate-income census tracts. In 2020, farm

lending remained concentrated around its former AA and the lending was primarily to existing customers. Additionally, according to 2020 D&B data, there were 421 total farms in DeKalb County. Of these farms, 3 (0.71 percent) were located in low-income census tracts, and 69 (16.39 percent) were located in moderate-income census tracts. Moreover, agriculture, forestry, and fishing represent only 7.1 percent of the businesses in DeKalb County. Bank management indicated that farms have been slowly declining in DeKalb County over the past several years. However, the bank continues to serve its long-time borrowers.

Geographic Distribution of Small Farm Loans					
Tract Income Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
Low					
2017	3.2	0	0.0	0	0.0
2018	3.2	0	0.0	0	0.0
2019	3.3	0	0.0	0	0.0
2020	3.5	0	0.0	0	0.0
Moderate					
2017	15.0	0	0.0	0	0.0
2018	15.1	0	0.0	0	0.0
2019	15.3	0	0.0	0	0.0
2020	15.8	0	0.0	0	0.0
Middle					
2017	41.9	32	100.0	3,605	100.0
2018	41.2	24	100.0	4,053	100.0
2019	39.7	35	100.0	3,444	100.0
2020	39.3	21	100.0	3,601	100.0
Upper					
2017	39.9	0	0.0	0	0.0
2018	40.4	0	0.0	0	0.0
2019	41.6	0	0.0	0	0.0
2020	41.4	0	0.0	0	0.0
Totals					
2017	**100.0**	**32**	**100.0**	**3,605**	**100.0**
2018	**100.0**	**24**	**100.0**	**4,053**	**100.0**
2019	**100.0**	**35**	**100.0**	**3,444**	**100.0**
2020	**100.0**	**21**	**100.0**	**3,601**	**100.0**

Source: 2017, 2018, 2019 & 2020 D&B Data; 2017, 2018, 2019, & 2020 Bank Data
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans
The bank's home mortgage lending performance reflects poor dispersion throughout the AA. As reflected in the following table, the bank's lending performance was below demographic data in low-income census tracts and significantly below demographic data in moderate-income census tracts. Within a five mile radius of the LPO in Chicago, there are 192 low- and moderate-income census tracts, which provides the bank ample opportunities to lend in these geographies. Additionally, two community contacts indicated that there is a need for affordable housing units in the AA.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	**% of Owner-Occupied Housing Units**	**#**	**%**	**$(000s)**	**%**
Low					
	4.5	4	2.6	1,129	2.3
Moderate					
	18.1	8	5.2	2,587	5.3
Middle					
	34.8	38	24.8	10,740	21.9
Upper					
	42.5	103	67.3	34,594	70.5
Totals					
	100.0	**153**	**100.0**	**49,050**	**100.0**
Source: 2015 ACS; 2020 Bank Data *Due to rounding, totals may not equal 100.0%*					

Borrower Profile

Overall, the bank's lending distribution demonstrates reasonable penetration. The bank's reasonable small business and small farm lending performance supports this conclusion. However, the bank's home mortgage performance reflects poor penetration among individuals of different income levels. Only loans originated in the AA were considered in the analyses. Examiners focused on the percentage of small farm and small business loans to operations with gross annual revenues of $1 million or less and home mortgage loans to low- and moderate-income borrowers.

Small Business Loans
Overall, the bank's small business lending performance reflects reasonable penetration to businesses with gross annual revenues of $1 million or less. While the bank's lending performance exceeded demographic data in 2019, the bank's performance trailed demographic data in 2017 and 2018. However, the distribution of loans to businesses of different sizes is reasonable, considering the performance context factors, including the fact that the demographic data consists of all businesses that exist within the AA and not all of these businesses may be seeking traditional financing.

The bank's lending performance also trailed demographic data in 2020; however, this is largely due to the volume of loans without reported revenue. Specifically, of the 39 small business loans reviewed and sampled, the bank originated 29 under the SBA PPP. The PPP did not require the collection of revenue information from small businesses.

Considering the 23 PPP loans in which the bank obtained revenue information, 91 percent were to businesses with revenues of $1 million or less. Further, the average size of a PPP loan originated by the bank was $91,957. While this does not indicate the revenue sizes of the businesses, it is an amount which would be conducive for smaller size businesses. Given the high percentage of loans originated to businesses with revenues of $1 million or less and the small average size of PPP loans, the bank's 2020 lending performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Businesses**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2017	80.7	2	28.6	109	9.4
2018	80.8	3	50.0	223	21.8
2019	83.8	3	100.0	694	100.0
2020	85.0	21	53.8	2,720	68.1
>1,000,000					
2017	8.4	5	71.4	1,055	90.6
2018	8.1	3	50.0	801	78.2
2019	6.7	0	0.0	0	0.0
2020	6.0	2	5.1	355	8.9
Revenue Not Available					
2017	11.0	0	0.0	0	0.0
2018	11.1	0	0.0	0	0.0
2019	9.6	0	0.0	0	0.0
2020	9.0	16	41.0	917	23.0
Totals					
2017	**100.0**	**7**	**100.0**	**1,164**	**100.0**
2018	**100.0**	**6**	**100.0**	**1,024**	**100.0**
2019	**100.0**	**3**	**100.0**	**694**	**100.0**
2020	**100.0**	**39**	**100.0**	**3,992**	**100.0**

Source: 2017, 2018, 2019 & 2020 D&B Data; 2017, 2018, 2019 & 2020 Bank Data
Due to rounding, totals may not equal 100.0%

Small Farm Loans

The distribution of small farm loans reflects reasonable penetration to operations with gross annual revenues of $1 million or less. As shown in the following table, the bank's lending performance lags demographic data. However, according to the 2017 Census of Agriculture, the percentage of farms that did not pay interest in DeKalb County was 55 percent, and the percentage of farms that did not pay interest in the AA was 65 percent. Therefore, there is a large population of farms that do not appear to have credit needs. Based on this information, the bank's lending performance is considered reasonable

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	**% of Farms**	**#**	**%**	**$(000s)**	**%**
<=$1,000,000					
2017	92.9	28	87.5	3,002	83.3
2018	92.6	21	87.5	3,483	85.9
2019	93.4	28	80.0	2,484	72.1
2020	93.7	16	76.2	2,815	78.2
>1,000,000					
2017	4.3	4	12.5	603	16.7
2018	4.4	3	12.5	570	14.1
2019	4.0	7	20.0	960	27.9
2020	3.7	5	23.8	786	21.8
Revenue Not Available					
2017	2.8	0	0.0	0	0.0
2018	2.9	0	0.0	0	0.0
2019	2.6	0	0.0	0	0.0
2020	2.6	0	0.0	0	0.0
Totals					
2017	**100.0**	**32**	**100.0**	**3,605**	**100.0**
2018	**100.0**	**24**	**100.0**	**4,053**	**100.0**
2019	**100.0**	**35**	**100.0**	**3,444**	**100.0**
2020	**100.0**	**21**	**100.0**	**3,601**	**100.0**

Source: 2017, 2018, 2019 & 2020 D&B Data; 2017, 2018, 2019, & 2020 Bank Data
Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The bank's home mortgage lending performance reflects poor penetration among individuals of different income levels. Examiners compared WSB's home mortgage lending performance to the distribution of families by income level (demographic data). The bank's lending performance is significantly below demographic data for both low- and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	**% of Families**	**#**	**%**	**$(000s)**	**%**
Low					
2020	23.5	2	1.3	314	0.6
Moderate					
2020	16.3	9	5.9	1,804	3.7
Middle					
2020	18.5	33	21.6	8,872	18.1
Upper					
2020	41.6	106	69.3	36,454	74.3
Not Available					
2020	0.0	3	2.0	1,606	3.3
Totals					
2020	**100.0**	**153**	**100.0**	**49,050**	**100.0**
Source: 2015 ACS; 2020 Bank Data *Due to rounding, totals may not equal 100.0%*					

The bank's performance is affected by the percentage of low-income families with income below the poverty line and high median home values in the AA. Specifically, 10.5 percent of low-income families generate incomes below poverty levels, and as such, likely face difficulties in qualifying for traditional mortgage loans offered by the institution. Despite this fact, the bank's performance is still below demographic data.

Response to Complaints

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

QUALIFIED INVESTMENTS AND SERVICES

Given the very recent effects of the COVID-19 pandemic, the Federal Home Loan Bank (FHLB) provided its member institutions with various grant opportunities to provide funds to community organizations. WSB enrolled to participate in the FHLB COVID-19 Relief Grant Program and received $35,000 of grant money that was provided to five organizations.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

GLOSSARY

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

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

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

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

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

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

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.

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.

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.

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 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.

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.