

# **PUBLIC DISCLOSURE**

September 7, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank of Farmington  
Certificate Number: 11732

16 North Main Street  
Farmington, Illinois 61531

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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## DESCRIPTION OF INSTITUTION

Bank of Farmington (BoF) is a \$219 million financial institution headquartered in Farmington, Illinois. The bank is wholly-owned by Farmington Bancorp, a one-bank holding company also located in Farmington. BoF received a Satisfactory rating at its previous FDIC CRA Performance Evaluation, dated September 13, 2017, based on Interagency Small Institution Examination Procedures.

In addition to the main branch, BoF has three full-service branches in Williamsfield, IL; Canton, IL; and Peoria, IL. The Williamsfield branch is located in a non-MSA and all other branches are located in the Peoria, IL MSA. The bank relocated the Peoria branch by less than one mile in December 2020, but the new branch is still located in the City of Peoria. The bank has not changed its business strategy, markets, or delivery channels since the previous examination.

BoF's primary business focus is largely commercial credits, followed by agricultural and home mortgage loans. As such, the bank offers a variety of loan products, including commercial, home mortgage, agricultural, and consumer loans. Commercial loan products include real estate, inventory, machinery and equipment or interim operating funds. Agricultural loans are granted to purchase livestock, equipment, operating funds, and acreage for farm or recreational purposes. Home mortgage offerings include in-house fixed-rate, secondary market, construction, home equity lines of credit, and balloon loans. Consumer loan offerings include consumer installment, single-pay, unsecured, indirect dealer loans, and cash value life insurance lines of credit. The bank no longer directly offers Rural Housing, Veterans Affairs (VA), or Federal Housing Administration (FHA) loans. These types of loans are offered through a third-party relationship with another financial institution.

Deposit products include regular checking, savings, money market, certificates of deposit and IRAs. Alternative banking services include internet and mobile banking, online bill pay, automated teller machines, and a new live video teller service offered through interactive teller machines (ITMs). Customers can use the ITMs to make deposits and withdrawals, make loan payments, cash checks, and transfer money between accounts.

As of June 30, 2023, BoF reported assets of \$219 million, total loans of \$172 million, and total deposits of \$183 million. The bank's portfolio as of June 30, 2023 is 49.4 percent commercial, 24.1 percent agricultural, 16.1 percent residential, 5.0 percent consumer, 4.3 percent construction and development, 0.6 percent other loans, and 0.5 percent multi-family. The bank's loan composition has changed since the previous evaluation. The percentage of commercial loans by volume increased by 20.1 percent, while residential and agricultural loans fell by 9.5 and 7.4 percent, respectively. The commercial loan growth is partially due to the Peoria branch opening in 2017 and the subsequent increase in Peoria-based commercial borrowers. Per bank management, the portfolio shift is also due to an increase in commercial borrowers from the Quad Cities area (Davenport and Bettendorf in southeastern Iowa, and Rock Island, Moline and East Moline in northwestern Illinois) over the last two years.

## **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 following factors support the institution's rating:

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

The following table depicts the portfolio composition:

<b>Loan Portfolio Distribution as of 6/30/2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	7,430	4.3
Secured by Farmland	34,728	20.2
Secured by 1-4 Family Residential Properties	27,749	16.1
Secured by Multi-family (5 or more) Residential Properties	888	0.5
Secured by Non-farm Non-Residential Properties	55,229	32.1
<b>Total Real Estate Loans</b>	<b>126,024</b>	<b>73.2</b>
Commercial and Industrial Loans	29,778	17.3
Agricultural Production and Other Loans to Farmers	6,722	3.9
Consumer	8,538	5.0
Obligations of States and Political Subdivisions in the United States	918	0.5
Other Loans	220	0.1
<b>Total Loans</b>	<b>172,200</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The bank's assessment area (AA) has changed since the previous performance evaluation. During the previous evaluation, management had expanded the AA due to a new branch opening in Peoria. The AA was made up of all of Fulton, Peoria, and portions of Knox County. This assessment area was not considered in the lending test at the previous CRA evaluation because the Peoria branch had only been open for less than three months as of the date of the performance evaluation. Since then, the assessment area has expanded to include all of Knox County in addition to Fulton and Peoria Counties.

BoF's assessment area is consistent with CRA regulatory requirements, as it does not arbitrarily exclude any low- or moderate-income census tracts (CTs), does not reflect illegal discrimination, and otherwise meets the requirements of the regulation.

### **Economic and Demographic Data**

Of the AA's 77 census tracts, 9 are low-income, 20 are moderate-income, 36 are middle-income, 11 are upper-income, and one is not classified according to 2020 U.S. Census Data. The non-classified tract, CT 8, is located in Knox County. Knox College takes up a significant portion of CT 8, and the rest of the tract is primarily made up of businesses. The population in CT 8 is mainly comprised of college students living in group quarters or other rental units and the majority of the residents are classified as non-working civilians, so Census income data is limited.

Since the previous evaluation, tracts 31.02 and 34.01 in Peoria were split into tracts 31.03 and 31.04, and 34.03 and 34.04, respectively. Tract 31.03 is a middle-income tract, while tracts 31.04, 34.03, and 34.04 are all classified as upper-income. In Fulton County, tract 9530 was moderate-income and is now middle-income; tract 9536 was middle-income and is now moderate-income; and tracts 9533 and 9534 were moderate-income and are now upper-income. In Peoria County, tract 49.01 shifted from upper-income to middle-income, and tracts 38 and 41.02 shifted from middle-income to moderate-income. The bank's Farmington and Williamsfield branches are located in middle-income census tracts. The Canton and Peoria branches are located in upper-income tracts. All of the AA's low-income tracts are located in Peoria County in downtown Peoria along the Illinois Riverfront. The following table provides a summary of the demographics, housing, and business information for the AA.

<b>Demographic Information of the Assessment Area</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)	77	11.7	26.0	46.8	14.3	1.3
Population by Geography	265,406	7.1	25.2	47.7	19.1	0.9
Housing Units by Geography	123,910	8.5	26.2	48.8	15.6	0.9
Owner-Occupied Units by Geography	72,532	3.5	24.4	53.6	18.4	0.1
Occupied Rental Units by Geography	35,487	15.7	27.8	41.3	12.8	2.4
Vacant Units by Geography	15,891	15.5	30.5	43.6	9.0	1.4
Businesses by Geography	19,042	13.2	19.2	46.0	19.2	2.4
Farms by Geography	1,011	2.9	18.7	55.7	22.5	0.3
Family Distribution by Income Level	63,636	22.8	19.6	20.1	37.4	0.0
Household Distribution by Income Level	108,019	28.2	16.3	18.2	37.3	0.0
Median Family Income MSA - 37900 Peoria, IL MSA		\$77,873	Median Housing Value			\$119,598
Median Family Income Non-MSAs - IL		\$68,958	Median Gross Rent			\$761
			Families Below Poverty Level			10.5%

Sources: 2020 U.S. Census and 2022 D&B Data

Under the borrower profile criterion, examiners analyze the bank's home mortgage lending activities in the AA by the borrowers' income category using the 2022 FFIEC-updated median family income levels.

The following table illustrates the low-, moderate-, middle-, and upper-income categories covered by this evaluation.

<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>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
<b>IL NA Median Family Income (99999)</b>				
2022 (\$76,100)	<\$38,050	\$38,050 to <\$60,880	\$60,880 to <\$91,320	≥\$91,320
<i>Source: FFIEC</i>				

Based on D&B data, 19,042 businesses and 1,011 farms operated in the AA in 2022. Of the 19,042 non-farm businesses in the AA, 81.5 percent reported GARs of \$1 million or less. Businesses with greater than \$1 million GARs represented 5 percent of the businesses, and the remaining 13.5 percent of businesses have unknown revenues.

Of the 1,011 farm operations in the AA, 97.5 percent reported GARs of \$1 million or less, 1.5 percent reported GARs of greater than \$1 million, and the remaining 1 percent of farms have unknown revenues.

Most of the farms and businesses in the AA are small, as 88.8 percent have fewer than 10 employees, and 86.0 percent operate from a single location. Service industries represent the largest portion of businesses at 36.5 percent, followed by non-classifiable entities at 19.5 percent, and retail trade at 12.5 percent.

Data obtained from the Illinois Department of Employment Security (IDES) shows that all three counties' unemployment rates followed state and national trends throughout the evaluation period, peaking in 2020 and 2021 due to COVID-19, but are now returning to normal levels. Fulton County's average unemployment rate in 2022 was 4.8 percent, Knox County's was 5.2 percent, and Peoria County's was 5.0 percent. These levels were all higher but still comparable to both the Illinois (4.6 percent) and national (3.6 percent) unemployment rates in 2022. IDES data from July 2023 shows that unemployment rates in Fulton (5.8 percent), Knox (6.2 percent), and Peoria (6.0 percent) were higher than U.S. (3.8 percent) and statewide (4.5 percent) unemployment rates. The assessment area's largest employers are OSF Healthcare, Caterpillar, Burlington Northern Santa Fe Railway, and the local school districts.

### **Competition**

The bank operates in a highly competitive environment for financial services. According to the June 30, 2023 FDIC Deposit Market Share data 34 financial institutions operated 94 full-service branches within the bank's assessment area. Of these institutions, BoF ranked 12th with 2.5 percent of the deposit market share. Besides the banking competition, there are also other financial entities such as the Farm Credit Administration, Citizens Equity First Credit Union (CEFCU), mortgage and finance companies, and other credit unions that operate within the surrounding areas.

## **Community Contacts and Credit Needs**

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

Examiners relied on two existing contacts to assist in identifying local area credit needs and opportunities for banks to lend. Both contacts were representatives from the same economic development organization interviewed at different times throughout the year in the assessment area. According to the first contact, economic conditions are generally favorable, especially for many of the local business owners. However, some of the smaller businesses have been struggling to find and retain employees. The contact stated that business development and rehabilitation areas that need more advances. Building stock is also low, which makes it challenging for companies to come to the Peoria area. The contact stated that the primary credit needs of the community are small business loans and home improvement loans and also commented about the significant portion of low-income individuals that are underserved and underbanked.

The second community contact stated that the recent increase in interest rates has adversely impacted small businesses, so there is a need for more flexible and affordable small business loans. There is also a need for first time homebuyer loans as well, since interest rates are higher and homes are currently more expensive. The area's low housing stock is an additional hurdle in those who are looking to purchase their first home. Both contacts stated that there is a solid dispersion of local banks and larger banks in the AA. The local banks service the smaller credit needs while the larger institutions cover the larger credit needs and provide more complex financial services. The second contact stated that the banks in the area are responsive to local credit needs overall.

## **SCOPE OF EVALUATION**

### **General Information**

Examiners used the Interagency Small Institution Examination Procedures to evaluate BoF's CRA performance. This evaluation covers the period from the prior FDIC performance evaluation dated September 13, 2017, to the current evaluation dated September 7, 2023. The bank's overall CRA rating is based on its performance in the AA, where a majority of its lending and deposit-taking activities took place.

### **Activities Reviewed**

As of June 30, 2023, commercial loans accounted for 49.4 percent of the bank's loan portfolio, agricultural loans accounted for 24.1 percent, and residential loans accounted for 16.6 percent of the bank's total loan portfolio. Examiners did not analyze consumer loans, because they do not represent a major product line and would therefore not provide material support for conclusions or ratings.



Examiners evaluated the bank's CRA performance based on its small business, small farm, and home mortgage loan products. These products represent the largest share of the bank's loan portfolio and lending by number and dollar amount. More weight is placed on small business lending since it makes up a much larger portion of the bank's lending by number and dollar amount compared to the other two products.

Bank management confirmed that the lending activity for the period from January 1, 2022 through December 31, 2022 is representative of the bank's performance during the evaluation period. In 2022, the bank originated 127 commercial loans totaling \$21.8 million, 46 agricultural loans totaling \$5.5 million, and 79 home mortgage loans totaling \$8.8 million.

Examiners used the entire universe of commercial, agricultural, and home mortgage loans from 2022 to assess the AA concentration and geographic distribution criteria performance. Loans originated inside the AA were analyzed under the geographic distribution criterion for all three product lines. A sample of 36 home mortgage loans and the universe of small business and small farm loans were used to analyze the bank's lending performance under the borrower profile criterion. Examiners used 2022 D&B data as a comparative factor to assess the bank's small business and small farm lending. The bank's home mortgage lending for 2022 was compared to 2020 U.S. Census demographic data.

The bank is not required to collect or report its home mortgage, commercial, or farm loan activity under the Home Mortgage Disclosure Act (HMDA) or CRA; therefore, the analysis of the bank's performance does not include comparisons to HMDA or CRA aggregate data.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Lending levels reflect reasonable responsiveness to the AA credit needs. Performance under the loan-to-deposit (LTD) ratio, AA concentration, geographic distribution, and borrower profile criteria primarily supports this conclusion.

On March 27, 2020, lawmakers signed the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and authorized the Small Business Administration (SBA) to guarantee \$349 billion in loans under the new Paycheck Protection Program (PPP). The intent of the CARES Act was for the SBA to provide relief to America's small businesses expeditiously by giving all lenders delegated authority and streamlining the requirements of the 7(a) loan program. In addition, the PPP and HealthCare Enhancement Act became law on April 24, 2020, and authorized an additional \$310 billion for guarantees of PPP loans. In 2020 and 2021, the bank originated 110 PPP loans totaling \$10.9 million and 115 loans totaling \$8.6 million, respectively.

The Lending Test only includes loans from 2022; therefore, the 2020 and 2021 PPP loans are not included in the Lending Test. However, the PPP lending demonstrates the bank's willingness to meet the credit needs of its community by quickly moving to provide small businesses relief during the COVID-19 pandemic.

**Loan-to-Deposit Ratio**

The LTD ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment area. The LTD ratio, calculated from Call Report data reported since the previous evaluation, averaged 79.9 percent from September 30, 2017 to June 30, 2023. The ratio ranged from a low of 73.3 percent as of December 31, 2019 to a high of 92.8 percent as of June 30, 2023. The ratio remained generally stable during the evaluation period.

Examiners selected four similarly-situated institutions (SSIs) based on asset size, geographic location, and lending focus. BoF's average net LTD ratio exceeds all four SSIs, as shown in the following table.

<b>Loan-to-Deposit (LTD) Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 6/30/2023 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Bank of Farmington</b>	<b>219,405</b>	<b>79.9</b>
Similarly-Situated Institution #1	196,074	72.8
Similarly-Situated Institution #2	281,439	69.6
Similarly-Situated Institution #3	306,209	73.6
Similarly-Situated Institution #4	109,001	55.7

*Source: Reports of Condition and Income 9/30/2017 – 6/30/2023*

**Assessment Area Concentration**

The bank originated a majority of its small business, small farm, and home mortgage loans, by number and dollar volume, within its assessment area. Specific details are included in the following table.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
<b>Small Business</b>										
2022	104	81.9	23	18.1	127	17,271	79.1	4,565	20.9	21,836
<b>Small Farm</b>										
2022	40	87.0	6	13.0	46	4,427	79.9	1,114	20.1	5,541
<b>Home Mortgage</b>										
2022	59	74.7	20	25.3	79	5,891	67.0	2,908	33.0	8,799
<b>Total</b>	<b>203</b>	<b>80.6</b>	<b>49</b>	<b>19.4</b>	<b>252</b>	<b>27,589</b>	<b>76.2</b>	<b>8,587</b>	<b>23.8</b>	<b>36,176</b>

*Source: 1/1/2022 - 12/31/2022 Bank Loan Data*

**Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Examiners primarily focused on the proportion of loans in low- and moderate-income census tracts when evaluating performance under the geographic distribution criterion.

***Small Business***

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

The following table shows that the bank’s performance in low-income census tracts was 1.2 percentage points higher than the percentage of businesses located in the low-income tracts. Performance in moderate-income areas trailed area demographics by 5.7 percentage points. BoF does not have any branches in moderate-income census tracts and the closest branch is three miles away from this tract segment. There are over a dozen banks and credit unions in Peoria, where the majority of the moderate-income tracts in the AA are located, that are competing for borrowers. The competition and location affect BoF’s ability to originate loans in these tracts. Additionally, 12 of the 14 loans in the moderate-income category were originated to unique borrowers, while the 15 loans in the low-income category were originated to the same three borrowers. This helps to explain why the bank appears to be performing better in the low-income category while the moderate-income category trails area demographics.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	13.2	15	14.4	2,391	13.8
Moderate					
2022	19.2	14	13.5	1,785	10.3
Middle					
2022	46.0	58	55.8	7,734	44.8
Upper					
2022	19.2	17	16.3	5,360	31.0
Not Available					
2022	2.4	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>104</b>	<b>100.0</b>	<b>17,271</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data</i>					

### ***Small Farm***

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. The following table shows that the bank did not originate any small farm loans in low-income census tracts. The opportunity for lending in the low-income tracts is limited as only 2.9 percent of AA farms are located in those tracts. The bank’s performance in moderate-income CTs was 3.6 percentage points lower than the percentage of farming operations in the area but considered comparable to the demographic comparative factor. In addition, there are nominal opportunities for small farm lending in the moderate-income tracts since two-thirds of the tracts are in more urban areas in Peoria County. Furthermore, there are only eleven farms located in the remaining one-third of the moderate-income tracts, which are located in Fulton and Knox Counties. Overall, given the bank’s level of lending in moderate-income census tracts and the performance context, the performance is reasonable.

<b>Geographic Distribution of Small Farm Loans</b>					
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	2.9	0	0.0	0	0.0
Moderate					
2022	18.6	6	15.0	554	12.5
Middle					
2022	55.7	31	77.5	3,211	72.5
Upper					
2022	22.5	3	7.5	662	15.0
Not Available					
2022	0.3	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>4,427</b>	<b>100.0</b>

*Sources: 2022 D&B Data; Bank Data*

### ***Home Mortgage***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table shows that the bank did not lend in the AA’s low-income tracts, however, there is a nominal level (3.5 percent) of owner-occupied housing units in the area, which extremely limits opportunities for banks to lend and potential borrowers seeking to purchase a home. The bank’s performance in moderate-income areas although slightly below area demographics, is fairly comparable.

Per the first community contact, housing prices have increased and the supply of housing is at a historical low. The second contact mentioned that the City of Peoria, where most of the AA’s moderate-income tracts are located, has added more than 300 affordable rental units in the

downtown district in the last decade. As mentioned previously, there are many financial institutions in Peoria, where most of the AA's moderate-income CTs are located, that are competing for borrowers. These factors further support the bank's reasonable performance under this criterion.

<b>Geographic Distribution of Home Mortgage Loans</b>					
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	3.5	0	0.0	0	0.0
Moderate					
2022	24.4	12	20.3	747	12.7
Middle					
2022	53.6	42	71.2	4,555	77.3
Upper					
2022	18.4	5	8.5	589	10.0
Not Available					
2022	0.1	0	0.0	0	0.0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>5,891</b>	<b>100.0</b>

*Sources: 2020 U.S. Census; Bank Data*

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses and farms of different sizes. For this review, examiners focused on businesses and farms with GARs of \$1 million or less and home mortgage loans to low- and moderate-income borrowers.

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

The distribution of loans reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less.

The following table shows that 65.4 percent of the bank's business loans were originated to businesses reporting revenues in this category, which is 16.1 percentage points lower than the percentage of businesses in this category. The 36 loans in the over \$1 million category were originated to only 14 borrowers, which somewhat skews the analysis due to one relationship. Additionally, the bank continues to offer a special rate to those who are rehabilitating the older buildings in Downtown Peoria through the Downtown Farmington program, which is located in a middle-income tract. There are 11 outstanding loans totaling \$1,039,503 in the Downtown Farmington program. The Downtown Farmington program, along with the bank's involvement in the PPP, demonstrates the bank's willingness to meet the credit needs of businesses in the community.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</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	68	65.4	5,767	33.4
<b>&gt;\$1,000,000</b>					
2022	5.0	36	34.6	11,504	66.6
<b>Revenue Not Available</b>					
2022	13.5	0	0.0	0	0.0
<b>Totals</b>					
2022	<b>100.0</b>	<b>104</b>	<b>100.0</b>	<b>17,271</b>	<b>100.0</b>

*Sources: 2022 D&B Data; Bank Data*

### ***Small Farm***

The distribution of small farm loans reflects reasonable penetration of loans to farms with gross annual revenues of \$1 million or less. The following table shows that 95 percent of the bank’s agricultural loans were originated to farms with \$1 million or less in GAR, which is comparable to the percentage of small farms in the area. This level of lending demonstrates that the bank met the credit needs of small farm businesses in 2022.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>					
2022	97.5	38	95.0	3,820	86.3
<b>&gt;\$1,000,000</b>					
2022	1.5	2	5.0	607	13.7
<b>Revenue Not Available</b>					
2022	1.0	0	0.0	0	0.0
<b>Totals</b>					
2022	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>4,427</b>	<b>100.0</b>

*Sources: 2022 D&B Data; Bank Data*

### ***Home Mortgage***

The distribution of home mortgage loans to low- and moderate-income borrowers is reasonable.

In 2022, 16.7 percent of the bank’s total home mortgage loan originations were to low-income borrowers, who made up 22.8 percent of the bank’s assessment area demographics. This category includes 10.5 percent of AA families with incomes below the poverty level, who likely face

difficulty qualifying for and servicing debts in amounts necessary to finance homes. Excluding this portion of families with incomes below poverty from the low-income category reduces the comparative percentage of low-income families to 12.3 percent. As such, the bank exceeded assessment area demographics in lending to low-income borrowers.

Also as detailed in the table below, the bank's lending to moderate-income borrowers exceeded the percentage of moderate-income families in the area by 2.6 percent. These figures demonstrate that the bank is meeting the needs of low- and moderate-income individuals in the assessment area.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>					
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low					
2022	22.8	6	16.7	249	7.3
Moderate					
2022	19.6	8	22.2	650	19.0
Middle					
2022	20.1	10	27.8	748	21.9
Upper					
2022	37.4	12	33.3	1,774	51.8
Not Available					
2022	0.0	0	0.0	0	0
<b>Totals</b>					
<b>2022</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>3,421</b>	<b>100.0</b>

*Sources: 2020 U.S. Census; Bank 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.

### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, 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.