
Lake Elmo Bank

Community Reinvestment Act

Public File

Primary Regulator: *FDIC (Federal Deposit Insurance Corporation)*

Established: *August 1, 1911*

Insured Since: *December 19, 1936*

Website: *www.lakeelmobank.com*



PERFORMANCE EVALUATION BY THE FDIC

Dated May 6, 2022

CRA Rating: 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.

Lake Elmo Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's performance.

- *A copy of the FDIC Public Disclosure Report begins on page 10.*

WRITTEN COMMENTS RECEIVED

For the Current and preceding, two calendar years.

The bank has received no written comments from the public relating to our CRA performance during this period.

HOME MORTGAGE DISCLOSURE ACT NOTICE

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. HMDA data for many other financial institutions is also available online. For more information, visit the Consumer Financial Protection Bureau's Web site. (www.consumerfinance.gov/hmda)

FULL SERVICE and ATM LOCATIONS					
Lake Elmo Office 11465 39 th St. N., Lake Elmo, MN Census Tract 704.05		Oakdale Office 600 Inwood Ave N., Oakdale, MN Census Tract 709.10		Stillwater Office 1937 Greeley Street, Stillwater, MN Census Tract 706.02	
<u>Lobby</u> 9:00 a.m. to 5:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday		<u>Lobby</u> 9:00 a.m. to 5:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday		<u>Lobby</u> 9:00 a.m. to 5:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday	
<u>Drive-Thru</u> 8:00 a.m. to 5:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday		<u>Drive-Thru</u> 8:00 a.m. to 5:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday		<u>Drive-Thru</u> 8:00 a.m. to 5:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday	
ATM on site 24/7		ATM on Site 24/7		ATM on Site 24/7	
<u>Walk-Up</u> 8:00 a.m. to 5:00 p.m. Monday – Friday					

LOCATION BANKING	
Limited-service locations: <i>limited deposit services provided to residents of the following Senior Housing facilities.</i>	
Boutwells's Landing Census Tract 707.01 5600 Norwich Parkway Oak Park Heights, MN 55082 Hours: • 1 st & 3 rd Wednesday 10 a.m. to 10:30 a.m.	Oak Meadows Census Tract 709.10 8131-8133 4 th St N. Oakdale, MN Hours: • 1 st & 3 rd Tuesday 9:30 a.m. to 10 a.m.
Echo Ridge Census Tract 709.12 1033 Gershwin Ave. N Oakdale, MN Hours: • 1 st & 3 rd Tuesday 11 a.m. to 11:30 a.m.	St. Therese Census Tract 710.18 7555 Bailey Road St. Paul, MN 55129 Hours: • 1 st Tuesday 1:30 p.m. to 2:00 p.m.
Arbor Glen Census Tract 704.05 11020 39 th Street North Lake Elmo, MN Hours: • 1 st & 3 rd Tuesday 10:00 a.m. to 10:30 a.m.	

LAKE ELMO BANK CRA ASSESSMENT AREA

The Bank's CRA assessment area includes all of Washington County, Minnesota.

Please note that our CRA area is different from our lending area. Lending area is defined within the Bank's Lending Policy:

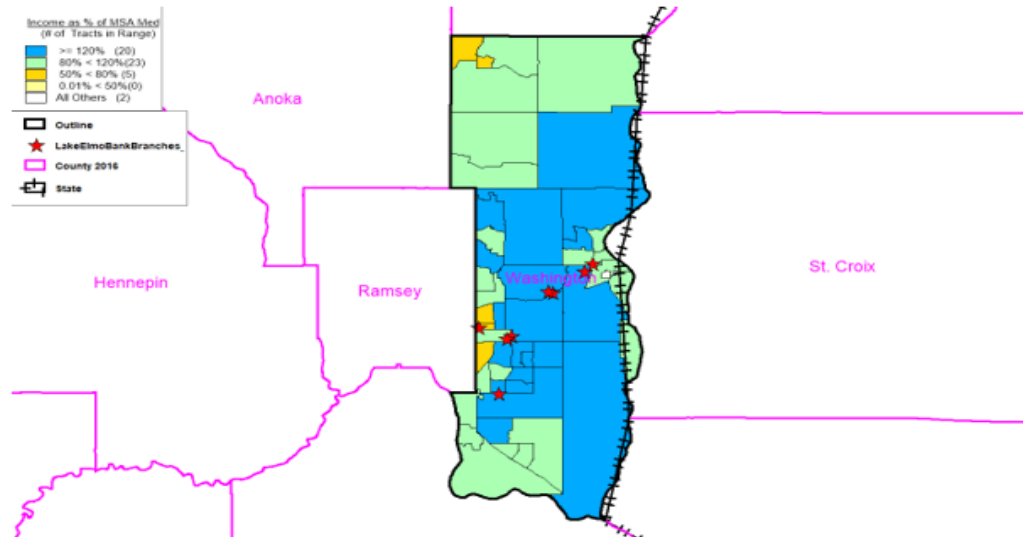
- **Section III Commercial Lending Area > A) Commercial-Industrial Loans > 1. General Requirements**
 - **b.** Banks' Commercial – Industrial lending will generally be limited to the following counties: Washington, northern Dakota, eastern Ramsey in Minnesota, and western St. Croix in Wisconsin.
- **Section III Commercial Lending Area > C) Land Development Loans > 1. General Requirements**
 - **e.** Banks' commercial and residential land development lending area will generally be limited to the counties detailed in Exhibit's "C" – Collateral Pledge Area.
- **Section IV Residential Real Estate Lending > residential Construction Loans > 6. General Requirements**
 - Bank's residential construction lending area will generally be limited to the counties detailed in [Exhibit "C" - Collateral Pledge Area of the Loan Policy](#). Real estate construction loans may also be extended to established Bank customers for properties in other areas of Minnesota and Wisconsin upon approval by the Commercial Lending Manager or the Chief Credit Officer.

MSA – Metropolitan Statistical Area

Minneapolis – St. Paul – Bloomington, MN-WI:	33460
State of Minnesota:	27
Washington County:	163

DETAILED CENSUS TRACT REPORT						
Census Tracts in LEB CRA - All Tracts are in Washington County, MN						
702.03	702.04	702.06	703.01	703.03	703.04	704.03
704.04	704.05	704.06	705.01	705.02	706.01	706.02
707.01	707.03	707.04	708.01	708.02	709.06	709.07
709.09	709.10	709.11	709.12	710.01	710.06	710.10
710.11	710.12	710.13	710.14	710.15	710.16	710.17
710.18	711.01	711.02				

MAP of CRA Assessment Area



United States Census Demographics For Lake Elmo, Minnesota (Zip Code 55042)

Population	Lake Elmo MN Minnesota United States		
Population Estimates, July 1, 2021, (V2021)	12,899	5,711,471	332,031,554
Population, Census April 1, 2020	11,335	5,706,494	331,449,281
Population, Census, April 1, 2010	8,069	5,303,925	308,745,538
Age and Sex			
Persons under 5 years, percent	8.30%	5.90%	5.70%
Persons under 18 years, percent	27.30%	23.10%	22.20%
Persons 65 years and over, percent	13.40%	16.70%	16.80%
Female persons, percent	48.80%	49.90%	50.50%
Race and Hispanic Origin			
White alone, percent	91.20%	83.00%	75.80%
Black or African American alone, percent (a)	4.30%	7.40%	13.60%
American Indian and Alaska Native alone, percent (a)	0.10%	1.40%	1.30%
Asian alone, percent (a)	2.10%	5.40%	6.10%
Native Hawaiian and Other Pacific Islander alone, percent (a)	0.00%	0.10%	0.30%
Two or More Races, percent	1.90%	2.80%	2.90%
Hispanic or Latino, percent (b)	6.80%	5.80%	18.90%
White alone, not Hispanic or Latino, percent	84.80%	78.10%	59.30%
Population Characteristics			
Veterans, 2017-2021	408	282,627	17,431,290
Foreign born persons, percent, 2017-2021	7.20%	8.50%	13.60%
Housing			
Housing units, July 1, 2021, (V2021)	X	2,517,248	142,153,010

Owner-occupied housing unit rate, 2017-2021	94.10%	72.30%	64.60%
Median value of owner-occupied housing units, 2017-2021	\$475,400	\$250,200	\$244,900
Median selected monthly owner costs -with a mortgage, 2017-2021	\$2,611	\$1,682	\$1,697
Median selected monthly owner costs -without a mortgage, 2017-2021	\$723	\$581	\$538
Median gross rent, 2017-2021	\$1,189	\$1,081	\$1,163
Families & Living Arrangements			
Households, 2017-2021	3,895	2,229,100	124,010,992
Persons per household, 2017-2021	2.88	2.49	2.6
Living in same house 1 year ago, percent of persons age 1 year+, 2017-2021	92.10%	86.70%	86.60%
Language other than English spoken at home, percent of persons age 5 years+, 2017-2021	8.90%	12.00%	21.70%
Computer and Internet Use			
Households with a computer, percent, 2017-2021	97.50%	93.80%	93.10%
Households with a broadband Internet subscription, percent, 2017-2021	94.30%	88.60%	87.00%
Education			
High school graduate or higher, percent of persons age 25 years+, 2017-2021	97.30%	93.60%	88.90%
Bachelor's degree or higher, percent of persons age 25 years+, 2017-2021	59.30%	37.60%	33.70%
Health			
With a disability, under age 65 years, percent, 2017-2021	4.10%	7.60%	8.70%
Persons without health insurance, under age 65 years, percent	2.20%	5.30%	9.80%
Economy			
In civilian labor force, total, percent of population age 16 years+, 2017-2021	71.20%	69.10%	63.10%
In civilian labor force, female, percent of population age 16 years+, 2017-2021	69.00%	65.60%	58.70%
Total accommodation and food services sales, 2017 (\$1,000)	9,520	14,234,262	938,237,077
Total health care and social assistance receipts/revenue, 2017 (\$1,000)	46,866	50,491,047	2,527,903,275
Total retail sales, 2017 (\$1,000)	64,268	91,993,636	4,949,601,481
Total retail sales per capita, 2017	\$7,166	\$16,518	\$15,224
Transportation			
Mean travel time to work (minutes), workers age 16 years+, 2017-2021	24.7	23.5	26.8
Income & Poverty			
Median household income (in 2021 dollars), 2017-2021	\$159,509	\$77,706	\$69,021
Per capita income in past 12 months (in 2021 dollars), 2017-2021	\$73,294	\$41,204	\$37,638
Persons in poverty, percent	3.40%	9.30%	11.60%
Businesses			
All employer firms, Reference year 2017	234	115,144	5,744,643
Men-owned employer firms, Reference year 2017	134	67,398	3,480,438
Women-owned employer firms, Reference year 2017	S	20,352	1,134,549
Minority-owned employer firms, Reference year 2017	S	6,619	1,014,958
Nonminority-owned employer firms, Reference year 2017	184	98,830	4,371,152
Veteran-owned employer firms, Reference year 2017	S	7,356	351,237
Nonveteran-owned employer firms, Reference year 2017	188	95,851	4,968,606

Fact Notes

- (a) Includes persons reporting only one race
- (b) Hispanics may be of any race, so also included in applicable race categories
- (c) Economic Census – Puerto Rico data are not comparable to U.S. Economic Census data

Value Notes

S Suppressed; does not meet publication standards

Source: <https://www.census.gov/quickfacts/fact/table/US/PST045222>

SERVICES OFFERED AT OUR FULL-SERVICE LOCATIONS:	
LOANS <ul style="list-style-type: none"> • COMMERCIAL LOANS <ul style="list-style-type: none"> ○ Business Loans and Lines of Credit ○ Including: Small Business Administration Loans (SBA) • CONSUMER LOANS <ul style="list-style-type: none"> ○ Automobile, Truck and Motor Home Loans ○ Motorcycles, Snowmobiles, Boats, Motors, Trailers, and mobile homes ○ Overdraft Checking ○ Loans Secured by Certificate of Deposit ○ Home Improvement Loans • REAL ESTATE LOANS <ul style="list-style-type: none"> ○ 1-4 Family Conventional (existing owner occupied) ○ 1-4 Family Construction ○ One Time Close Construction/Permanent ○ Commercial ○ Home Equity Loans and Lines DEPOSITS <ul style="list-style-type: none"> • Business and Consumer Checking Accounts • Savings Accounts • Money Market Deposit Accounts • Certificates of Deposit 	IRA PRODUCTS <ul style="list-style-type: none"> • Traditional • Roth • Education • SEP (simplified Employee Pension) • HSA Accounts OTHER PRODUCTS & SERVICES <ul style="list-style-type: none"> • On-line Banking Services <ul style="list-style-type: none"> ○ Mobile Banking ○ Bill Pay ○ Bank-to-bank Transfers ○ Mobile Deposit (deposit anywhere) • Wire Transfers • Debit Cards • Safe Deposit Box Rental • HSA Accounts • Gift Cards • Additional Services for Business Customers <ul style="list-style-type: none"> ○ Cash Management Services <ul style="list-style-type: none"> ▪ ACH origination ○ Remote Deposit Capture ○ Lock Box Services • Trust and Estate Services • Non-deposit Investment Products Offered through Cetera Advisors Networks, LLC

At this time all deposit accounts are opened in-person or with electronic signature validation software.

LOAN TO DEPOSIT RATIO

Figures for determining the LTD ratios are pulled from the Bank's call reports – Call reports can be viewed on the FFIEC website at: <https://cdr.ffiec.gov/public/>

The figures to be used can be found on the following Schedules:

RC Schedule (Balance Sheet)

- Deposits #13a
- Loan's use # 4a & 4b

The same numbers can also be found on the FFIEC website under the UBPR Executive Summary report.

2022 Ratios			
Date	Total Loans X 1,000	Total Deposits X1,000	Loan to Deposit Ratio (Loans / Deposits)
03-31-2022	309,871	479,466	64.63 %
06-30-2022	332,303	485,867	68.39 %
09-30-2022	354,480	495,178	71.59 %
12-31-2022	363,925	477,291	76.25 %
2021 Ratios			
Date	Total Loans X 1,000	Total Deposits X1,000	Loan to Deposit Ratio (Loans / Deposits)
03-31-2021	284,457	446,092	63.77%
06-30-2021	287,409	458,858	62.64 %
09-30-2021	292,419	472,189	61.93 %
12-31-2021	301,368	487,826	61.78%

The Bank's miscellaneous fee schedule has not changed since August 1, 2021.

Fees		Effective August 1, 2021	
Business Continuous Overdraft Fee		\$7.00 per day (after the 5th day and every day thereafter)	
Cashiers Checks (Customers Only)		\$5.00	
Check Ordering Fee		Dependent on Style Selected	
Coin Sorting		Customer - Free Non-Customer - 5% of Total, \$3.00 min.	
Collection Fee		\$30.00/Item	
Copy of Check		\$3.00	
Counter Check Fee		\$2.00 for 4 checks	
Debit/ATM ISM Fee		International Service Assessment 2% of transaction	
Debit Card Replacement Fee		\$8.00	
Deposit Bags - Locked		\$20.00, \$3.00 Key	
Deposit Bags - Unlocked		\$5.00	
Dormant Accounts		\$10.00/Month (on balances \$100.00 or less)	
Early Account Closing		\$20.00/Account (within 90 days of opening)	
Excess Reg D Withdrawal Fee		\$10.00/Item	
Fax Fees		Local - \$3.00 1st Page \$1.00 each additional page Long Distance - \$5.00 1st Page \$2.00 each additional page	
Garnishment/Levy Fee		\$100.00	
IRA Transfer to another institution		\$50.00	
Notary (Non-Customer)		\$1.00	
Non-Sufficient Funds Item*		\$33.00/Item (returned checks)	
Overdraft Fee*		\$33.00/Item	
Overdraft sweep/transfer		\$5.00 (per transfer)	
Photocopies		\$1.00 each	
Ready Reserve Annual Fee		\$25.00	
Research and Account Reconciliation		\$30.00/Hr. (\$30.00 minimum)	
Return Deposit Item		\$4.00/Item	
Return Deposit Item (Business)		\$5.00/Item	
Signature Guarantee (Customers Only)		Free	
Special Handling		\$5.00	
Statement Copy		\$5.00	
Stop Payment		\$33.00	
Recurring Electronic Stop Payment		\$10.00/Item	
Returned Statement Fee**		\$10.00	
Visa Gift Cards		\$3.95	
Wire Transfers Domestic (Customers Only)		\$25.00 Outgoing \$10.00 Incoming	
Wire Transfers Foreign (Customers Only)		\$50.00 Outgoing \$10.00 Incoming	

*Overdrafts and non-sufficient funds fees may result from: The payment of checks, electronic funds transfers, or other withdrawal requests you initiate. Payments authorized by you. The return of unpaid items deposited by you. Charging your account for our applicable service charges and fees.

**Beginning with the second returned statement and for each returned statement thereafter.

Safe Deposit Box		Rates	
3"x5"		\$35.00 Annual Rent	
5"x5"		\$45.00 Annual Rent	
3"x10"		\$55.00 Annual Rent	
5"x10"		\$75.00 Annual Rent	
10"x10"		\$125.00 Annual Rent	

All boxes are 21" deep. Discounted rates available for RelationshipSM and IntegritySM Checking Account customers. Fees are automatically deducted from a Lake Elmo Bank checking or savings account.

Safe Deposit Box		Fee	
Safe Deposit Box Late Payment Fee		\$15.00 (after 60 days)	
Safe Deposit Box Drilling		Cost + \$25.00	
Safe Deposit Box Lost Key		\$25.00	
Safe Deposit Box - Manual Billing Fee		\$10.00	

PUBLIC DISCLOSURE

May 6, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lake Elmo Bank Certificate
Number: 15443

11465 39th Street North Lake
Elmo, Minnesota 55042

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

1100 Walnut Street, Suite 2100
Kansas City, Missouri 64106

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

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INSTITUTION RATING

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

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

Lake Elmo Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs in the assessment area.
- Lake Elmo Bank originated a majority of its home mortgage and small business loans in its assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different revenue sizes.
- Lake Elmo Bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Lake Elmo Bank is headquartered in Lake Elmo, Minnesota, and is wholly owned by Lake Elmo Bancshares, Inc., a one-bank holding company also based in Lake Elmo, Minnesota. The bank currently operates three full-service offices and five limited-service offices in Minnesota. The full-service offices are in Lake Elmo, Oakdale, and Stillwater, while the limited-service offices are in Lake Elmo, Oakdale (2), Oak Park Heights, and Woodbury. On June 2, 2021, Lake Elmo Bank opened the limited-service office in Lake Elmo. The institution has not closed any offices or been involved in any mergers or acquisitions since the prior evaluation. Lake Elmo Bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated April 15, 2019, which was based on Intermediate Small Institution Examination Procedures.

Lake Elmo Bank's business focus continues to be home mortgage and commercial lending. The institution also offers a variety of consumer loan products. The bank offers and originates secondary market residential loans and loans through the Minnesota Housing Community Fix-Up home improvement program. The institution also offers loan products through the Small Business Administration (SBA), including participation in the SBA Paycheck Protection Program (PPP).

Since the previous CRA evaluation, the bank processed loan payment deferrals for many businesses and consumers whose finances were adversely impacted by the Coronavirus pandemic.

Lake Elmo Bank provides a variety of deposit account services including checking, savings, money market, health savings, individual retirement accounts, and certificates of deposit. The bank also offers electronic banking services such as internet and mobile banking, mobile deposit, bill pay, electronic statements, and access to a network of ATMs. In addition, Lake Elmo Bank offers investment, insurance, estate planning, and trust services through non-affiliated or affiliated entities, as applicable.

As of December 31, 2021, assets totaled approximately \$541.6 million, loans totaled \$306.0 million, and deposits totaled \$487.8 million. The loan portfolio distribution is illustrated in the following table.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	23,840	7.8
Secured by Farmland	1,230	0.4
Secured by 1-4 Family Residential Properties	133,419	43.6
Secured by Multifamily (5 or more) Residential Properties	9,852	3.2
Secured by Nonfarm Nonresidential Properties	92,637	30.3
Total Real Estate Loans	260,978	85.3
Commercial and Industrial Loans	34,550	11.3
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	8,815	2.9
Obligations of State and Political Subdivisions in the U.S.	1,771	0.5
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(87)	0.0
Total Loans	306,027	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. Lake Elmo Bank designated a single assessment area in the State of Minnesota. Since the prior evaluation, bank management expanded the assessment area to include all census tracts in Washington County, which is part of the Minneapolis-St. Paul-Bloomington, Minnesota-Wisconsin Metropolitan Statistical Area (MSA).

Lake Elmo Bank's main office in Lake Elmo is in an upper-income census tract, while the bank's Oakdale and Stillwater full-service branches are in middle-income census tracts. Of the bank's five limited-service offices, one is in a moderate-income census tract, one is in a middle-income census tract, and three are in upper-income census tracts.

Economic and Demographic Data

According to 2015 American Community Survey (ACS) data, the bank's assessment area includes 5 moderate-income census tracts, 23 middle-income census tracts, 20 upper-income census tracts, and 2 census tracts without an income classification. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	50	0.0	10.0	46.0	40.0	4.0
Population by Geography	246,670	0.0	8.5	47.2	43.6	0.8
Housing Units by Geography	94,934	0.0	9.3	49.1	41.6	0.0
Owner-Occupied Units by Geography	72,864	0.0	6.7	48.8	44.4	0.0
Occupied Rental Units by Geography	18,068	0.0	20.7	48.9	30.4	0.0
Vacant Units by Geography	4,002	0.0	5.3	55.3	39.4	0.0
Businesses by Geography	23,809	0.0	8.3	44.2	47.5	0.0
Farms by Geography	728	0.0	2.9	45.9	51.2	0.0
Family Distribution by Income Level	66,383	14.9	16.1	22.1	46.9	0.0
Household Distribution by Income Level	90,932	16.6	14.1	18.6	50.8	0.0
Median Family Income MSA - 33460 Minneapolis-St. Paul-Bloomington, MN-WI MSA		\$84,589	Median Housing Value			\$256,276
			Median Gross Rent			\$1,148
			Families Below Poverty Level			4.0%
Source: 2015 ACS and 2021 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 2021 D&B data, service industries represent the largest portion of business and farm operations at 39.2 percent; followed by non-classifiable establishments at 20.2 percent; finance, insurance, and real estate at 10.9 percent; and retail trade at 9.7 percent. Additionally, 66.0 percent of assessment area businesses and farms have 4 or fewer employees, and 93.8 percent operate from a single location.

The Federal Financial Institutions Examination Council (FFIEC) provides updated median family incomes that are used to analyze home mortgage loans under the Borrower Profile criterion as well as community development activities. The low-, moderate-, middle-, and upper-income categories for the evaluation period are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Minneapolis-St. Paul-Bloomington, MN-WI MSA Median Family Income (33460)				
2019 (\$93,000)	<\$46,500	\$46,500 to <\$74,400	\$74,400 to <\$111,600	≥\$111,600
2020 (\$97,300)	<\$48,650	\$48,650 to <\$77,840	\$77,840 to <\$116,760	≥\$116,760
2021 (\$100,600)	<\$50,300	\$50,300 to <\$80,480	\$80,480 to <\$120,720	≥\$120,720
<i>Source: FFIEC</i>				

Competition

The assessment area is a highly competitive market for credit products and financial services. According to FDIC Deposit Market Share data as of June 30, 2021, there were 25 financial institutions operating 61 locations within Washington County. These institutions range from small community banks to larger national financial institutions. Lake Elmo Bank ranked 3rd with 7.5 percent deposit market share.

Lake Elmo Bank faces significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2020, 427 HMDA-reporting institutions originated or purchased 23,714 home mortgage loans in the assessment area. Lake Elmo Bank ranked 46th with a 0.6 percent market share by number.

Lake Elmo Bank is not required to collect or report small business data and has elected not to do so. Examiners confirmed the high level of competition for small business loans by reviewing the 2020 aggregate lending data from CRA reporters. This data indicates that 97 lenders reported 5,041 small business loans inside the assessment area.

Community Contact

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

For this evaluation, examiners utilized an existing contact from a representative of a community development-related organization that serves the assessment area. The contact identified the area as geographically diverse with rural areas, small towns, and larger suburban centers. The contact noted there is a shortage of affordable housing, as most is not naturally occurring but requires some type of associated public assistance. Affordable owner-occupied units are very limited, and the current housing market is very active, with low- or moderately-priced homes selling immediately.

The contact indicated that the down payment requirement is challenging for low-income individuals. The contact further stated that credit needs in the community include home mortgage and small business loans. Additionally, competition plays a role in limiting a financial institution's lending opportunities as there are a number of large lenders in the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, and demographic and economic data, examiners determined that home mortgage, including affordable housing, and small business loans, represent primary credit needs for the assessment area. According to management and the community contact, opportunity exists for originating these loans in the assessment area. In addition, there are opportunities in the assessment area for community development activities including affordable housing, economic development, revitalization and stabilization of applicable geographies, and community services for low- and moderate-income individuals.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 15, 2019, to the current evaluation dated May 6, 2022. Examiners used the Intermediate Small Institution Examination Procedures to evaluate Lake Elmo Bank's CRA performance. Intermediate small institutions are evaluated under the Lending Test and Community Development Test, which are described in the Appendices. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. The evaluation did not include any lending activity performed by affiliates.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of the Consolidated Report of Condition and Income (Report of Condition). When arriving at overall conclusions, home mortgage and small business loans received equal weight throughout the evaluation based on the loan portfolio composition and the bank's business focus. Examiners did not review small farm lending activities because management indicated that agricultural lending is not a primary business focus of the bank and represents a very small portion of the total loan portfolio.

Bank records indicate that the lending focus and product mix remained generally consistent throughout the evaluation period. Therefore, examiners reviewed all small business loans originated or renewed in 2021, as this period was considered representative of the bank's performance during the entire evaluation period. D&B data for 2021 provided a standard of comparison for the bank's small business lending performance. Additionally, examiners reviewed home mortgage loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. The 2015 ACS data and 2019 and 2020 HMDA aggregate data provided a standard of comparison for home mortgage lending.

For the Lending Test, examiners reviewed the entire universe of loans to evaluate the Assessment Area Concentration criterion. All loans inside the assessment area were further reviewed to evaluate the Geographic Distribution criterion. To evaluate the Borrower Profile criterion, examiners reviewed a sample of small business loans originated inside the assessment area and all home mortgage loans inside the assessment area. Small business loans considered under the Community Development Test were excluded from the Lending Test review. The table below provides information on the number and dollar volume of loans reviewed.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage				
2019	163	30,924	163	30,924
2020	232	53,485	232	53,485
2021	312	90,061	312	90,061
Small Business	434	51,684	58	5,351
<i>Source: 2019-2021 HMDA Records, 2021 Bank Records.</i>				
<i>Note: The small business loan universe excluded loans that the bank opted to have considered as community development loans.</i>				

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

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services from the prior evaluation date of April 15, 2019, to the current evaluation date of May 6, 2022. Examiners reviewed community development activity for the entire review period and presented the information for each year within this performance evaluation. Two comparable institutions are referenced for performance context within the Community Development Test discussion.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Lake Elmo Bank demonstrated satisfactory performance under the Lending Test. The bank's performance under all of the evaluated criteria supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs in the assessment area. The bank's ratio, calculated from Report of Condition data, averaged 72.8 percent over the past 11 calendar quarters from June 30, 2019, to December 31, 2021. The ratio ranged from a high of 83.0 percent as of December 31, 2019, to its current low of 61.8 percent as of December 31, 2021. The loan-to-deposit ratio has steadily decreased from 2020-2021, which management attributed to an influx of deposits due to customers' receipt of PPP loan funds. Examiners confirmed deposits have increased by approximately 47.9 percent from December 31, 2019, to December 31, 2021. As previously stated, Lake Elmo Bank originates home mortgage loans that are subsequently sold to secondary market investors, which is not accounted for in the net loan-to-deposit ratio. Lake Elmo Bank originated and sold approximately \$97.5 million in secondary home mortgage loans.

Overall, Lake Elmo Bank maintained a ratio that reasonably compares to the similarly situated institutions shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 12/31/2021 (\$000s)	Average Net LTD Ratio (%)
First Resource Bank, Lino Lakes, MN	338,992	102.5
First State Bank and Trust Company, Bayport, MN	367,697	71.1
Lake Area Bank, Lindstrom, MN	423,563	84.8
Lake Elmo Bank, Lake Elmo, MN	541,594	72.8
<i>Source: Reports of Condition and Income 6/30/2019 to 12/31/2021</i>		

Assessment Area Concentration

Lake Elmo Bank originated a majority of its home mortgage and small business loans within its assessment area, as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	103	63.2	60	36.8	163	17,952	58.1	12,972	41.9	30,924
2020	132	56.9	100	43.1	232	29,296	54.8	24,189	45.2	53,485
2021	172	55.1	140	44.9	312	47,838	53.1	42,223	46.9	90,061
Home Mortgage Subtotal	407	57.6	300	42.4	707	95,086	54.5	79,383	45.5	174,470
Small Business	313	72.1	121	27.9	434	35,569	68.8	16,115	31.2	51,684
Source: Bank Data Due to rounding, totals may not equal 100.0%										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion overall. The bank's reasonable home mortgage and small business lending performance supports the overall conclusion. There are no low-income census tracts in the assessment area; therefore, examiners focused on the percentage by number of loans in the moderate-income tracts in the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The following table shows that Lake Elmo Bank's home mortgage lending performance in moderate-income census tracts was slightly lower than both demographic and aggregate lending data throughout the years. Discussions with management indicated that significant competition is present, which was confirmed by market share data and the community contact. Further, the distance from the bank's offices to two of the five moderate-income areas also limits the bank's ability to penetrate these areas. Overall, the bank's performance is generally comparable to aggregate data throughout the review period and competition is significant.

Considering these factors, performance is considered reasonable.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	6.7	6.1	3	2.9	132	0.7
2020	6.7	5.0	4	3.0	431	1.5
2021	6.7	--	5	2.9	3,194	6.7
Middle						
2019	48.8	47.4	54	52.4	7,083	39.5
2020	48.8	45.3	56	42.4	11,720	40.0
2021	48.8	--	64	37.2	13,855	29.0
Upper						
2019	44.4	46.5	46	44.7	10,738	59.8
2020	44.4	49.7	72	54.5	17,145	58.5
2021	44.4	--	103	59.9	30,788	64.4
Totals						
2019	100.0	100.0	103	100.0	17,952	100.0
2020	100.0	100.0	132	100.0	29,296	100.0
2021	100.0	--	172	100.0	47,838	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The following table indicates that the bank's lending performance in moderate-income census tracts is lower than demographic data. As stated previously, competition for small business loans is significant and affects lending opportunities in these areas. Additionally, the distance from the bank's offices to two of the five moderate-income areas also limits the bank's ability to penetrate these areas, especially when considering the level of competition already present. Specifically, examiners' review of Report of Condition data filed by financial institutions confirmed there are five competing financial institutions operating an office in these two moderate-income geographies that engage in small business lending.

Considering these factors, performance is considered reasonable.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	8.3	3	1.0	312	0.9
Middle	44.2	144	46.0	17,952	50.5
Upper	47.5	166	53.0	17,305	48.6
Totals	100.0	313	100.0	35,569	100.0
Source: 2021 D&B Data, Bank Data.					
Due to rounding, totals may not equal 100.0%					

Borrower Profile

The distribution of borrowers reflects reasonable penetration of loans overall. The bank's reasonable home mortgage and small business lending performance supports the overall conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels. As illustrated in the following table, Lake Elmo Bank's lending performance among low- and moderate-income borrowers varied throughout the years but is reasonably comparable to aggregate data. Further, the bank's lending performance to low-income borrowers is lower than demographic data throughout the years, although the lending performance to moderate-income borrowers is comparable to or exceeds demographic data. Additionally, market share data and the community contact indicated that the home mortgage lending market is competitive within the assessment area. The community contact further indicated there's an affordable housing need and that lower-income individuals experience difficulty meeting down payment requirements. Considering these factors, performance is considered reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	14.9	5.3	13	12.6	1,327	7.4
2020	14.9	5.3	2	1.5	310	1.1
2021	14.9	--	14	8.1	2,150	4.5
Moderate						
2019	16.1	18.6	18	17.5	2,764	15.4
2020	16.1	17.9	20	15.2	2,494	8.5
2021	16.1	--	33	19.2	5,981	12.5
Middle						
2019	22.1	22.5	23	22.3	3,214	17.9
2020	22.1	23.4	34	25.8	6,161	21.0
2021	22.1	--	39	22.7	8,425	17.6
Upper						
2019	46.9	38.4	40	38.8	9,205	51.3
2020	46.9	38.7	60	45.5	16,559	56.5
2021	46.9	--	74	43.0	25,087	52.4
Not Available						
2019	0.0	15.3	9	8.7	1,443	8.0
2020	0.0	14.7	16	12.1	3,773	12.9
2021	0.0	--	12	7.0	6,195	13.0
Totals						
2019	100.0	100.0	103	100.0	17,952	100.0
2020	100.0	100.0	132	100.0	29,296	100.0
2021	100.0	--	172	100.0	47,838	100.0
Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Small Business Loans

The distribution of sampled small business loans reflects reasonable penetration of loans to businesses with gross annual revenues of \$1 million or less. As illustrated in the following table, Lake Elmo Bank's lending performance to businesses with gross annual revenues of \$1 million or less reasonably compares to demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	90.2	49	84.5	3,126	58.4
>\$1,000,000	3.0	9	15.5	2,225	41.6
Revenue Not Available	6.8	0	0.0	0	0.0
Total	100.0	58	100.0	5,351	100.0
Source: 2021 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Lake Elmo Bank demonstrated satisfactory performance under the Community Development Test. The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered Lake Elmo Bank's capacity and the need and availability of such opportunities within the assessment area.

Comparable institutions are also used in the analysis of a financial institution to help provide perspective on a bank's performance. For this evaluation, examiners reviewed the activities of two institutions that have operations in a similar assessment area as Lake Elmo Bank, and were evaluated using Interagency Intermediate Small Institution Examination Procedures since October 1, 2021. Lake Elmo Bank's overall community development performance compares reasonably to these institutions.

Lake Elmo Bank was responsive to the community development needs of its assessment area as identified through the community contact comments and by the demographic and economic data; therefore, community development activity that benefitted a broader statewide or regional area was also considered.

Community Development Loans

Since the prior evaluation, the bank originated or renewed 113 community development loans totaling approximately \$32.6 million throughout its assessment area and broader statewide regional area. The bank extended loans in an effort to promote economic development by supporting permanent job creation or retention and improvement to low- and moderate-income persons; supporting affordable housing and community services for low- and moderate-income persons; and supporting the revitalization and stabilization of moderate-income geographies.

Community development lending activity includes 93 SBA PPP loans totaling approximately \$14.7 million originated from April 14, 2020, to the date of this evaluation. These loans helped to promote economic development by financing small businesses or farms as they struggle with the impact of the Coronavirus pandemic. Of the \$14.7 million in PPP funds provided, \$2.0 million

benefited areas outside of the bank's assessment area. The bank's ratio of community development loans to total assets (6.0 percent) and community development loans to net loans (10.8 percent) is lower than the ratios of comparable institutions, which were 13.9 and 14.0 percent and 21.5 and 23.3 percent, respectively. However, the bank's community development lending by dollar volume has nearly doubled since the previous evaluation. The comparable institutions' ratios also included PPP loans.

The following tables provide a breakdown of the community development loans by area benefited and activities by year for each community development purpose.

Community Development Lending by Area										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	2	623	1	200	75	19,762	6	837	84	21,422
Statewide Activities	2	770	3	230	21	4,676	0	0	26	5,676
Regional Activities	1	1,725	0	0	2	3,760	0	0	3	5,485
Total	5	3,118	4	430	98	28,198	6	837	113	32,583
<i>Source: Bank Data</i>										

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	1	50	2	300	2	1,487	0	0	5	1,837
2020	1	369	2	130	54	7,388	6	837	63	8,724
2021	3	2,699	0	0	40	15,217	0	0	43	17,916
YTD 2022	0	0	0	0	2	4,106	0	0	2	4,106
Total	5	3,118	4	430	98	28,198	6	837	113	32,583
<i>Source: Bank Data</i>										

Qualified Investments

Qualified investments and donations funded since the previous evaluation were considered under this criterion. Lake Elmo Bank received consideration for 30 qualified investments totaling approximately \$3.2 million. This total included 22 donations totaling approximately \$35,000. The community development investment and donation activity is responsive to needs as they primarily support community development by donating to organizations that provide community services to low- and moderate-income persons, supporting affordable housing, and supporting the revitalization and stabilization of moderate-income geographies.

When aggregated for the evaluation period, the bank's qualified investments represent 0.6 percent of total assets and 5.2 percent of total investments. Lake Elmo Bank's ratios are comparable to the two peer institutions whose qualified investments to total assets ratios were 0.4 and 0.8 percent and qualified investments to total investments ratios were 2.7 and 5.7 percent.

The following tables illustrate the bank's qualified investments by area benefited and activities by years for each community development purpose.

Qualified Investments by Area										
Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Assessment Area	1	775	19	32	0	0	3	465	23	1,272
Statewide Activities	0	0	3	217	0	0	4	1,742	7	1,959
Total	1	775	22	249	0	0	7	2,207	30	3,231
<i>Source: Bank Data</i>										

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	775	1	217	0	0	4	1,155	6	2,147
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	0	0	0	0
YTD 2022	0	0	0	0	0	0	2	1,049	2	1,049
Subtotal	1	775	1	217	0	0	6	2,204	8	3,196
Qualified Grants & Donations	0	0	21	32	0	0	1	3	22	35
Total	1	775	22	249	0	0	7	2,207	30	3,231
<i>Source: Bank Data</i>										

Community Development Services

Since the previous evaluation, bank employees devoted time to various organizations that provide community services to low- and moderate-income individuals, promote economic development, and revitalize or stabilize moderate-income geographies within the assessment areas. Lake Elmo Bank provided 21 services that meet the definition of community development under the CRA. This level of involvement indicates the bank's commitment to helping the communities in which it serves.

Lake Elmo Bank's level of community development services is the highest of the comparable institutions whose total reported community development services were 8 and 9 qualified activities. The following table illustrates the bank's qualified services by year for each community development purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	3	3	1	7
2020	0	4	3	1	8
2021	0	1	2	0	3
YTD 2022	0	1	2	0	3
Total	0	9	10	2	21
<i>Source: Bank Data</i>					

Lake Elmo Bank waives surcharges and bank fees at Money Pass network ATMs, offers free checking and savings accounts, and provides no cost electronic and mobile banking services. Branch hours provide residents easy access to personalized services, while electronic and mobile banking provides convenient 24-hour access to account information. Further, Lake Elmo Bank's limited-service branch in a senior housing facility in Oakdale is located in a moderate-income geography. Overall, the bank provides reasonable access to products and services, specifically designed to meet the needs of the communities served, including low- and moderate-income residents.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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