

# **PUBLIC DISCLOSURE**

**August 7, 2023**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Itasca Bank & Trust Co.  
Certificate Number: 16666**

**308 W Irving Park Rd  
Itasca, Illinois 60143**

**Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Chicago Regional Office**

**300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606**

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

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## INSTITUTION RATING

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

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

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of loans are in the institution's AA.
- The geographic distribution of loans reflects reasonable dispersion throughout the AA.
- The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including LMI) and businesses of different sizes.
- The bank has not received any CRA-related complaints since the prior examination; therefore, this criterion does not affect the Lending Test rating.

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

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

## DESCRIPTION OF INSTITUTION

Itasca Bank & Trust Company (IBTC) is a \$721.6 million financial institution headquartered in Itasca, Illinois. The bank is wholly-owned by Itasca Bancorp, Inc., a one bank holding company. In addition to the main office, IBTC operates one full-service branch in Roselle, Illinois. Both bank facilities are located in DuPage County where the main office in Itasca is located in an upper-income census tract and the branch office in Roselle is located in a middle-income census tract. IBTC received a "Satisfactory" rating at its previous FDIC CRA Performance Evaluation, dated August 31, 2020, using the Interagency Intermediate Small Institution Examination Procedures. No bank offices have opened or closed since the previous evaluation, and the bank does not have any affiliates.

IBTC continues to offers a variety of consumer and commercial lending and deposit products. The bank offers an array of residential mortgage programs, including long-term (15- and 30-year) fixed-

rate loans, adjustable rate mortgage loans, and consumer construction loans. The bank continues to offer its niche-lending product, loans to homeowner associations for condominium building repairs, secured by association dues. The bank also offers several types of commercial loan products including working capital lines of credit, equipment financing, and letters of credit.

In response to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the bank continues to offer Small Business Administration (SBA) loans under the Paycheck Protection Program (PPP); a loan program designed to help small businesses maintain and compensate their workforce during the crisis. IBTC participated in the program to meet community financial needs and originated 321 PPP loans for \$49.9 million in 2021.

Deposit product offerings include traditional checking, savings, and money market accounts, as well as certificates of deposits. The bank also offers various alternative systems for retail banking services such as online banking, telephone banking, and online bill payment applications through the website. The bank maintains automated teller machines (ATM) at the main office in Itasca and another ATM at the branch office in Roselle. The bank also has an ATM at the Wood Dale train station and the Addison courthouse, both in Illinois. The bank continues to participate in the STAR SF program for ATMs that allows customers to use any ATM owned by participating banks free of charge.

According to the Consolidated Reports of Condition and Income (Call Report) dated June 30, 2023, the bank reported \$721.6 million in total assets, \$494.6 million in total loans, \$653.4 million in total deposits, and \$181.3 million in investments. Commercial loans represented 70.2 percent of the total loan portfolio followed by one-to-four family loans at 16.3 percent. Total assets increased 5.2 percent and total loans increased 8.6 percent since the previous CRA evaluation conducted in 2020. The following table illustrates the loan 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	27,747	5.6
Secured by Farmland	2,412	0.5
Secured by 1-4 Family Residential Properties	80,621	16.3
Secured by Multifamily (5 or more) Residential Properties	33,810	6.8
Secured by Nonfarm Nonresidential Properties	171,218	34.6
<b>Total Real Estate Loans</b>	<b>315,808</b>	<b>63.8</b>
Commercial and Industrial Loans	175,978	35.6
Agricultural Production and Other Loans to Farmers	0	0
Consumer Loans	837	0.2
Obligations of State and Political Subdivisions in the U.S.	2,018	0.4
Other Loans	277	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(356)	(0.1)
<b>Total Loans</b>	<b>494,562</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		



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

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. IBTC’s designated AA includes all of Cook County and DuPage County, Illinois, which are located within the Chicago-Naperville-Arlington Heights, Illinois Metropolitan Division (Chicago MD). The AA remains unchanged since the prior evaluation, does not arbitrarily exclude any LMI census tracts, does not reflect illegal discrimination, and otherwise meets the requirements of the CRA regulations.

### Economic and Demographic Data

The AA includes all 1,551 census tracts in Cook and DuPage Counties. Examiners used demographic data from 2020 U.S. Census Data and 2022 D&B data, to analyze the bank’s CRA Performance. Based on the 2020 U.S. Census Data, the AA’s census tracts reflect the following income designations: 226 low-, 365 moderate-, 459 middle-, 485 upper-, and 16 census tracts with no income designation.

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	1,551	14.6	23.5	29.6	31.3	1.0
Population by Geography	6,208,418	11.4	23.8	32.1	32.3	0.4
Housing Units by Geography	2,559,710	11.5	22.6	31.5	33.8	0.5
Owner-Occupied Units by Geography	1,391,239	6.0	19.5	35.4	38.8	0.2
Occupied Rental Units by Geography	944,549	17.1	26.6	27.7	27.7	0.9
Vacant Units by Geography	223,922	22.2	25.4	23.4	28.1	0.8
Businesses by Geography	749,946	7.1	17.9	30.0	44.4	0.6
Farms by Geography	7,258	6.8	19.7	32.5	40.7	0.3
Family Distribution by Income Level	1,424,186	25.0	16.5	18.3	40.3	0.0
Household Distribution by Income Level	2,335,788	27.0	15.4	16.4	41.2	0.0
Median Family Income MSA – 16984 Chicago-Naperville-Evanston, IL			Median Housing Value			\$293,663
		\$92,622	Median Gross Rent			\$1,245
			Families Below Poverty Level			9.1%

Source: 2020 U.S. Census and 2022 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

As demonstrated in the table above, there are lower levels of owner-occupied housing units in the LMI geographies (25.5 percent) within the AA and higher concentrations of rental units (43.7 percent). This data highlights opportunity for financial institutions to originate non-owner occupied

investment loans; however, some financial institutions might face obstacles in originating home mortgage loans in these geographies.

Examiners used the FFIEC-updated median family income estimate to analyze home mortgage loans under the Borrower Profile criterion. The following table details the income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$105,700)	<\$52,850	\$52,850 to <\$84,560	\$84,560 to <\$126,840	≥\$126,840
Chicago-Naperville-Evanston, IL Median Family Income (16984)				
Source: FFIEC				

The AA of Cook and DuPage counties maintains a strong commercial base with a high concentration of small businesses. According to 2022 D&B data, 749,946 non-farm businesses operate in the AA, of which 673,364 or 89.8 percent reported gross annual revenues (GARs) of \$1 million or less. The percentage of non-farm businesses with GARs of \$1 million or less in the AA indicates that opportunities exist to extend loans to small businesses. Among all non-farm businesses, the services industry represents the largest segment of businesses in the AA at 32.5 percent, followed by finance, insurance and real estate (10.3 percent), retail trade (9.0 percent), transportation and communication (6.2 percent) and construction (5.0 percent). In addition, 55.5 percent of businesses within the AA have four or fewer employees and 92.9 percent operate from a single location. This highlights the prevalence of small businesses within the AA; however, this demographic figure is not a direct indication of demand. Approximately seven percent of area businesses are located within low-income census tracts and a lower level of penetration into these markets is expected.

The analysis of small business loans under the Geographic Distribution criterion compares the loans to the percentage of businesses within geographies by income level, while the analysis under the Borrower Profile criterion compares the loans to the distribution of businesses by GAR level. D&B data for 2022 provides a standard of comparison when measuring small business lending performance.

The COVID-19 pandemic considerably affected local and global environments. The temporary closures of non-essential businesses that began in March 2020 caused significant hardships for both individuals and businesses. The COVID-19 pandemic triggered dramatic increases in statewide and national unemployment rates. As noted in the following table, unemployment rates began improving in 2021 and continued to decline through June 2023.

Unemployment Rates				
Area	2020	2021	2022	June 2023
	%	%	%	%
Cook County, Illinois	10.6	6.9	5.0	4.5
DuPage County, Illinois	7.7	4.5	3.6	3.5
Illinois	9.3	6.1	4.6	4.5
National Average	8.1	5.3	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>				

### Competition

The AA is highly competitive in the market for financial services. According to the June 30, 2022 FDIC Deposit Market Share Report 109 financial institutions operated 1,448 offices within the AA. Of these institutions, IBTC ranked 41<sup>st</sup> with 0.14 percent of the market share. The top three institutions are large national banks that operate 417 offices in the AA and collectively maintain 51 percent of the deposit market share.

IBTC is not required to collect or report small business loans, and has not elected to do so. As such, examiners did not directly compare lending performance to small business aggregate data. Nonetheless, aggregate data illustrates a standard of demand for small business loans and is considered when establishing performance context. Aggregate data for 2021 (the most recent year which aggregate data is available), indicates 328 lenders reported 261,586 small business loans in the designated AA. The five most prominent small business lenders accounted for 57.2 percent of total market share.

A competitive environment also exists for home mortgage lending within the bank's AA. Aggregate home mortgage lending in 2021, the most recent data available, reflects 903 lenders originated 385,587 home mortgage loans. IBTC is not required to collect or report Home Mortgage Disclosure Act data and is not included in the previous numbers, but the data is presented to evidence local demand.

### Community Contacts

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying credit and CD needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and CD opportunities are available. Examiners reviewed three recent contacts with community-based organizations within the AA. One of the contacts included an economic development organization in DuPage County focusing on providing small business owners with support, business expertise, and access to capital. The contact indicated that there is a need for capital and liquidity in the form of small business loans to support new and existing businesses.

A second contact was a representative of a nonprofit community development financial institution (CDFI) that provides customized capital solutions and one-on-one coaching to underserved entrepreneurs in Illinois and Northwest Indiana with a strong focus in the Chicago MSA. Most of

the contact's clients are in Cook County and in particular the west side of the county. The contact indicated there is a large need for small business lending and for startup capitalization. The contact believes that the banks best and most effective option is to fund loan pools.

The third contact was a representative of a nonprofit organization focusing on the un-banked and under-banked in the AA, including both Cook and DuPage Counties. The contact thinks more community banks need to be located in neighborhoods closer to where they serve. The contact indicated there is a need for responsible home mortgage products tailored to the realities of the Chicago home buying market and a need for small business loans under \$25,000. The contact indicated their belief that banks in the area do not advertise or make products readily available to LMI individuals. The contact feels this does not allow LMI individuals to know their options and to be able to utilize them.

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

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that that primary credit needs in the AA are small business lending and affordable home mortgage products.

Various CD opportunities exist within the AA. The Chicagoland and surrounding areas include several tax increment financing districts and empowerment zones targeted for redevelopment by government entities. The AA has numerous community organizations dedicated to serving LMI individuals and revitalizing under-resourced LMI neighborhoods.

## **SCOPE OF EVALUATION**

### **General Information**

The evaluation covers the period from the previous evaluation dated August 31, 2020, to the current evaluation dated August 7, 2023. Examiners utilized the Interagency Intermediate Small Bank (ISB) Examination Procedures to evaluate IBTC's CRA performance. These procedures include the Lending Test and the CD Test. Refer to the Appendices for a description of these tests.

### **Activities Reviewed**

The CRA Evaluation is based upon a review of home mortgage and small business loans. These two loan types are the primary business focus of the bank. This conclusion considered the business strategy and the number and dollar volume of loans originated during the evaluation period.

The record of originating small business loans contributed more weight to overall conclusions due to the larger loan volume when compared to home mortgage lending during the review period. In addition, no other loan types, such as small farm or consumer loans, represent a major product line. Therefore, such loans provided no material support for conclusions or ratings, and examiners did not analyze them.

IBTC originated 47 home mortgage loans totaling \$21.3 million in 2022 of which examiners



sampled 30 totaling \$14.1 million. Examiners considered this lending activity representative of the bank's performance during the entire evaluation period. The 2020 U.S. Census Data provided a standard of comparison for the bank's home mortgage lending performance. As previously noted, the bank is not required to collect or report Home Mortgage Disclosure Act data.

While IBTC is not subject to small business loans CRA reporting requirements, it collected small business loan data for 2020, 2021, and 2022. IBTC originated 255 small business loans totaling \$81.6 million in 2020, 255 small business loans totaling \$69.4 million in 2021, and 265 small business loans totaling \$64.0 million in 2022. Examiners reviewed the universe of these loans extended to evaluate the bank's performance within each part of the Lending Test.

While examiners analyzed all three years (2020, 2021, and 2022) of small business loans, the Geographic Distribution and Borrower Profile analyses presented later in this evaluation depicts only 2022 data. This lending activity was representative of the entire period. D&B data for 2022 provided a standard of comparison for small business loans.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Examiners emphasized performance by number of loans, because the number of loans is a better indicator of the number of individuals and businesses served. Performance by dollar volume did not lead to different conclusions.

When determining the Lending Test rating, more weight was given to the Geographic Distribution of loans and Borrower Profile than the LTD and AA concentration. These two factors are more important because they most directly identify how well the financial institution serves the traditionally underserved segments of the population.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

IBTC demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

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

The LTD ratio is reasonable given the institution's size, capacity, and AA credit needs. IBTC maintained an average LTD of 71.7 percent over the prior 11 quarters, from December 31, 2020, through March 31, 2023. The bank reported a high of 75 percent in June 30, 2023. The bank's LTD had been on a steady decline from second quarter in 2021 to second quarter in 2022. However, since then the bank's LTD has been increasing.

Examiners identified four similarly situated institutions (SSIs) based on their asset sizes, geographic location, and lending focus. The bank maintained a ratio generally similar to SSI's shown in the following table.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 03/31/2023 (\$000s)	Average Net LTD Ratio (%)
Itasca Bank & Trust Company	721,512	71.7
Similarly-Situated Institution #1	887,833	77.2
Similarly-Situated Institution #2	542,961	60.5
Similarly-Situated Institution #3	502,114	101.0
Similarly-Situated Institution #4	853,921	85.7
<i>Source: Reports of Condition and Income 12/31/2020 – 03/31/2023</i>		

### Assessment Area Concentration

ITBC originated a majority of home mortgage and small business loans within the designated AA. The following table reflects the bank's home mortgage and small business loans inside and outside the AA by number and dollar volume.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2022	23	76.7	7	23.3	30	8,833	62.7	5,263	37.3	14,096
<b>Subtotal</b>	<b>23</b>	<b>76.7</b>	<b>7</b>	<b>23.3</b>	<b>30</b>	<b>8,833</b>	<b>62.7</b>	<b>5,263</b>	<b>37.3</b>	<b>14,096</b>
Small Business										
2020	199	78.0	56	22.0	255	64,339	78.9	17,224	21.1	81,563
2021	209	82.0	46	18.0	255	57,230	82.5	12,176	17.5	69,406
2022	204	77.0	61	23.0	265	46,643	72.8	17,399	27.2	64,042
<b>Subtotal</b>	<b>612</b>	<b>79.0</b>	<b>163</b>	<b>21.0</b>	<b>775</b>	<b>168,212</b>	<b>78.2</b>	<b>46,799</b>	<b>21.8</b>	<b>215,011</b>
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%</i>										

### Geographic Distribution

Overall, the Geographic Distribution of loans reflects reasonable dispersion throughout the AA. Reasonable performance in small business lending supports this conclusion. As noted earlier, more weight is placed on small business lending. The analysis focuses on lending in LMI census tracts. Only loans originated in the AA are analyzed under this criterion.

#### *Home Mortgage Loans*

The Geographic Distribution of home mortgage loans sampled in 2022 reflects poor dispersion throughout the AA. The bank's performance is measured against the percentage of owner-occupied housing units by census tract income level as reflected in the table below.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	6.0	0	0.0	0	0.0
Moderate	19.5	3	13.0	523	5.9
Middle	35.4	6	26.1	1,017	11.5
Upper	38.8	14	60.9	7,294	82.6
Not Available	0.2	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>8,833</b>	<b>100.0</b>

*Source: 2020 U.S. Census; Bank Data; Due to rounding, totals may not equal 100.0%*

The bank did not originate any home mortgage loans in low-income census tracts; however, there is a low percentage of occupied housing in the AA (6.0 percent) and the bank's main office and branch are over eight miles from the nearest concentration of low-income census tracts. The bank originated three home mortgage loans in moderate-income census tracts, trailing the demographic by 6.5 percentage points. Further, the universe of 2022 home loan originations did not include any loans in LMI tracts that were not included in the table above. The level of penetration in LMI tracts demonstrates poor performance.

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

The Geographic Distribution of small business loans reflects reasonable dispersion throughout the AA. The bank's small business loan distribution in 2022, including comparative data for businesses by tract level, is shown in the following table.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	7.1	4	2.0	1,846	4.0
Moderate	17.9	27	13.2	9,224	19.8
Middle	30.0	90	44.1	20,182	43.3
Upper	44.4	83	40.7	15,391	33.0
Not Available	0.6	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>204</b>	<b>100.0</b>	<b>46,643</b>	<b>100.0</b>

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

Of the 2022 small business loans originated, the bank made four loans (2.0 percent) in low-income census tracts. However, as noted earlier, the bank's main office and branch are over eight miles from the nearest concentration of low-income census tracts. Given the bank's proximity to low-income census tracts, the relatively low percentage of businesses in low-income tracts (7.1 percent), and considering that the demand for loans among businesses in these geographies typically tends to be limited, the bank's small business lending performance is reasonable.

The bank's small business lending performance in moderate-income census tracts was stronger than low-income tracts, but trailed demographic. The bank's offices are over three miles away from the



nearest concentration of moderate-income census tracts, and the bank faces a highly competitive market. Given the bank's proximity to moderate-income census tracts, the high level of competition, and that the demographic does not necessarily reflect demand for loans, the bank's small business lending in moderate-income tracts reflects reasonable dispersion.

Examiners also reviewed IBTC's CD activities to determine the level that such activities benefitted LMI tracts in the AA. During the evaluation period, the bank purchased three mortgage-backed securities collateralized by 27 home mortgage loans, of which seven were located in LMI tracts. The bank also originated 38 loans totaling \$12.3 million to homeowners associations that were located in LMI tracts for condominium repairs that had a revitalization or stabilization effect in those LMI areas. These loans are not included in the data shown on the previous two tables, and is worthwhile to note because it demonstrates the bank is actively originating loans in LMI tracts, further supporting overall reasonable performance in this criterion.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including LMI) and businesses of different sizes. This conclusion is supported by reasonable small business and home mortgage lending performance. Borrower profile focuses on loans to businesses with revenues of \$1 million or less and loans to LMI individuals. As noted earlier, more weight is placed on small business lending. Only loans originated in the bank's AA were considered in this analysis.

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

The distribution of loans to borrowers reflects reasonable penetration among individuals of different income levels. Examiners assessed IBTC's performance against the percentage of families (demographic) within the AA. The following table reflects the distribution of home mortgage loans by borrower income level.

<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	25.0	0	0.0	0	0.0
Moderate	16.5	2	8.7	465	5.3
Middle	18.3	3	13.0	995	11.3
Upper	40.3	5	21.7	3,018	34.2
Income Not Available	0.0	13	56.5	4,356	49.3
<b>Total</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>8,833</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data</i>					

The bank did not originate any home mortgage loans to low-income individuals during the review period. The bank originated two home mortgage loans to moderate-income borrowers. This performance trailed demographic by 7.8 percentage points. According to the 2020 U.S. Census Data, 9.1 percent of families within the AA live below the poverty level. Families below the poverty level may have challenges in obtaining mortgage loan financing. Further, 56.5 percent of

the borrowers did not provide income, as the properties were for investment purposes where income was not required. Of the 10 home mortgage loans where income was provided, 20 percent (2 loans) were originated to moderate-income borrowers, which compares similarly to the demographic data.

Examiners also reviewed IBTC's CD activities to determine the level that such activities benefitted LMI borrowers in the AA. During the evaluation period, the bank purchased three mortgage-backed securities collateralized by 27 home mortgage loans originated to LMI borrowers in the AA. As previously noted, a community contact identified affordable housing as a need in the AA. Considering these factors, performance is reasonable.

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

The distribution of small business loans reflects reasonable penetration of loans to businesses of different sizes. Performance is measured against businesses with GARs of \$1 million or less (demographic). The following table reflects the distribution of small business loans by revenue level.

<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>
≤ \$1,000,000	89.8	111	54.4	12,783	27.4
> \$1,000,000	3.9	90	44.1	33,746	72.4
Revenue Not Available	6.3	3	1.5	114	0.2
<b>Total</b>	<b>100.0</b>	<b>204</b>	<b>100.0</b>	<b>46,643</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data; Bank Data</i>					

While the bank's lending to businesses with GARs of \$1 million or less trailed the demographic, it represents a majority of its small business loans. Additionally, the demographic represents all businesses in the area and is not limited to those seeking traditional bank financing. Many smaller businesses seek credit through other means such as credit cards, home equity loans, or financing through non-bank sources. In this regard, demographic data does not necessarily represent an accurate picture of demand.

Additionally, IBTC's lending to businesses of different sizes slightly exceeded four SSIs that operate in the AA and have comparable loan portfolio concentrations and asset sizes. The four SSIs reasonable performance ranged from 44.7 percent to 51.9 percent. As a result, the loan distribution reflects reasonable performance and a willingness to make loans to businesses of different sizes.

### **Response to Complaints**

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

## COMMUNITY DEVELOPMENT TEST

IBTC demonstrated adequate responsiveness to the CD needs of the AA through CD loans, qualified investments, and CD services. Examiners considered the institution's capacity and the need and availability of such opportunities. The bank's CD activities were evaluated for the evaluation period from August 31, 2020 to August 7, 2023. The CD performance is generally consistent with the performance of similar banks in the AA that were evaluated utilized ISB Examination Procedures.

### Community Development Loans

CD lending increased since the previous examination, IBTC originated 81 CD loans totaling \$27.1 million within the AA during the review period. This activity represents 5.5 percent of average net loans over the 11 quarters since the previous evaluation, an increase from the 37 loans totaling \$11.9 million.

IBTC's CD lending by dollar volume was comparable to the performance of three SSIs, as such SSIs' CD loans by dollar volume ranged between \$17.0 and \$184.2 million, and as a percent of average net loans ranged between 3.6 and 21.0 percent. The following table details IBTC's CD lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	1	1,100	-	-	1	1,100
2020	5	1,701	-	-	-	-	12	3,658	17	5,359
2021	18	7,332	-	-	-	-	14	5,466	32	12,798
2022	16	4,020	-	-	-	-	11	2,990	27	7,010
2023	3	617	-	-	-	-	1	200	4	817
<b>Total</b>	<b>42</b>	<b>13,670</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>1,100</b>	<b>38</b>	<b>12,314</b>	<b>81</b>	<b>27,084</b>

*Source: Bank Records.*

The majority of CD loans (approximately 52 percent) supported affordable housing, an AA credit need identified by a community contact. The bank continues to provide the niche-lending product of homeowners' association lending for repairing common areas of condominiums and townhomes that provide affordable housing to LMI borrowers. The remaining CD loan originations supported revitalizing or stabilization as these homeowners' association property repairs help to attract or retain residents in LMI tracts in the AA.

The bank also has a prior commitment of a \$1.1 million loan in the Solomon Hess SBA Loan Fund. The Fund is a certified CDFI fund that provides CD loans, which support economic development and meet the SBA 7(a) program standards. The SBA works with lenders to provide loans targeted to small businesses and start-ups for the purpose of purchasing buildings or land, providing working capital, and purchasing inventory.

**Qualified Investments**

IBTC made approximately \$12.4 in qualified investments and \$49,000 in qualified donations during the evaluation period. Investments during the review period include \$6.4 million in new funds and 12 prior period investments with a current value of \$5.9 million. This dollar volume of investment exceeds the previous evaluation, when the bank received credit for \$6.3 million in qualified investments. CD investments represent 5.8 percent of average securities and 20.7 percent of average capital over the 11 quarters since the last examination.

IBTC’s CD investments are comparable to the performance of the aforementioned SSIs. The SSIs average equity capital ranged from 4.2 percent to 12.2 percent and the CD investments average securities ranged between 2.4 and 6.6 percent.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	8	2,826	4	3,154	-	-	-	-	12	5,980
2021	2	1,762	1	342	-	-	-	-	3	2,104
2022	1	2,148	2	515	-	-	-	-	3	2,663
2023	1	1,393	1	250	-	-	-	-	2	1,643
<b>Subtotal</b>	<b>12</b>	<b>8,129</b>	<b>8</b>	<b>4,261</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>12,390</b>
Qualified Grants & Donations	4	2	28	47	-	-	-	-	32	49
<b>Total</b>	<b>16</b>	<b>8,131</b>	<b>36</b>	<b>4,308</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>12,439</b>

*Source: Bank Data*

Notable examples of the bank’s qualified investment activities include:

- In 2023, the bank purchased six mortgage-backed securities targeted to LMI borrowers with a current book value of \$1.3 million.
- In 2022, the bank purchased \$265,000 in a municipal bond benefitting a local school district in the AA where LMI students make up over 99 percent of the student population.
- In 2023, the bank donated a total of \$7,500 to five different food pantries supporting the mission of fighting food insecurity in the AA. Each food pantry will receive \$1,500 as the bank donated \$75 for every new-to-the bank consumer checking/savings account that was opened April through June 29, 2023 in recognition of the bank’s 75<sup>th</sup> year anniversary.

**Community Development Services**

During the review period, bank employees participated in 16 CD services, of which 15 are ongoing throughout the years and one was an identified need in the community. The services qualify for consideration as they use the individuals’ financial expertise or technical assistance to several organizations for assisting small businesses and LMI individuals within the AA. The level of services provided was comparable to three SSIs where the number of services ranged from one to

121. Examiners noted a modest increase in services since the prior examination when the bank reported 12 instances.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021	-	4	-	-	4
2022	-	6	-	-	6
2023	-	6	-	-	6
<b>Total</b>	-	<b>16</b>	-	-	<b>16</b>
<i>Source: Bank Data</i>					

Notable examples of IBTC's CD services include:

- A bank employee continues to serve on the women's initiative monthly small business roundtable to provide technical assistance and mentoring to help women-owned small businesses succeed.
- Bank employee serves on the Board and Fundraising Committee for a local food pantry.
- Bank employee serves on the Board and is Treasurer for a local organization whose mission is to offer financial assistance, clothing, and food to residents of a moderate-income census tract in Addison, Illinois.

In a responsiveness to food insecurity in the AA, the bank established a program paying employees up to 24 hours of volunteer hours at area food pantries. From January through June 2023, 72 different employees worked approximately 530 hours. Several of the employees utilized their financial expertise during the volunteer efforts.

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

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs. Consequently, this criterion did not affect the overall 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 on the banking organization.



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

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

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

**Community Development Loan:** A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose 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.