

# **PUBLIC DISCLOSURE**

August 26, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bank of Wolcott  
Certificate Number: #16201

105 North Range Street  
Wolcott, Indiana 47995

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

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

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

## TABLE OF CONTENTS

Institution Rating .....	1
Scope of Evaluation .....	2
Description of Institution .....	3
Description of Assessment Areas .....	4
Conclusions on Performance Criteria .....	4
Discriminatory or Other Illegal Credit Practices Review .....	6
Nonmetropolitan Statistical Area Assessment Area (Full-Scope) .....	6
Description of Institution's Operations .....	6
Conclusions on Performance Criteria .....	9
Metropolitan Division Area – Gary, IN Assessment Area (Full-Scope) .....	12
Description of Institution's Operations .....	12
Conclusions on Performance Criteria .....	15
Glossary .....	17

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income (LMI) neighborhoods, in a manner consistent with its resources and capabilities.

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

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and AA credit needs.
- A majority of loans and other lending-related activities are in the institution's AAs.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including LMI) and farms and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the prior evaluation dated May 30, 2013, to the current evaluation dated August 26, 2019. Examiners used the Small Institution CRA Evaluation Procedures to evaluate BOW's CRA performance. These procedures include the CRA Small Institution Lending Test, which is based upon the following criteria:

- Loan-to-deposit ratio
- AA concentration
- Geographic distribution
- Borrower profile
- Response to substantiated complaints

This evaluation does not include any lending activity performed by affiliates.

Both the Nonmetropolitan Statistical Area (Non-MSA) AA and the Gary Metropolitan Division (MD) AA received full-scope reviews. The performance in the Non-MSA AA was given substantially more weight based upon the dollar, number, and percentage of deposits, small farm loans, home mortgage loans, and small business loans in this AA. See the following table for details on the deposits and loans in each AA.

Deposits and Loans by Assessment Area								
Assessment Area	Deposits		Small Farm Loans		Home Mortgage Loans		Small Business Loans	
	\$ (000s)	%	#	%	#	%	#	%
Non-MSA	\$101,730	79.0	20	62.5	19	82.6	48	94.1
Gary MD	\$26,994	21.0	12	37.5	4	17.4	3	5.9
<b>Total</b>	<b>\$128,724</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>

*Sources: Bank Records 1/1/18 through 12/31/18 and FDIC Summary of Deposits (06/30/2018)*

### Loan Products Reviewed

Examiners determined BOW's major product lines are small farm loans, small business loans, and home mortgage loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. All three products are weighted equally, as all represent major product lines originated by BOW in relatively similar amounts in 2018. Consumer lending is not a major product line and was not reviewed in this evaluation.

BOW is a small institution and is not required to collect data for small farm loans or small business loans. Analysis for these products covers the lending activity in the full calendar year of 2018, in which BOW originated 45 small farm loans totaling \$8.2 million and 63 small business loans totaling \$6.5 million. In addition, examiners confirmed with bank management that 2018 performance is representative of the entire evaluation period.

BOW reports Home Mortgage Disclosure Act (HMDA) data, and all home mortgage loans reported on the bank's 2017 and 2018 HMDA Loan Application Registers were reviewed for this

evaluation. In 2017, BOW made 42 HMDA loans totaling \$4.0 million. In 2018, BOW made 33 HMDA loans totaling \$2.9 million. Examiners did not identify any trends between 2017 and 2018 that materially affect conclusions. Therefore, this evaluation presents home mortgage information for 2017, which is the most recent year that aggregate data is available.

While number and dollar volume of loans are presented, examiners emphasized performance by number of loans under the geographic distribution and borrower profile criteria because the number of loans is a better indicator of the number of farms, businesses, and individuals served.

The 2015 American Community Survey (ACS) census data is the demographic data used in this evaluation. If different demographic data is used, the data source is noted.

## **DESCRIPTION OF INSTITUTION**

### **Background**

BOW is headquartered in Wolcott, Indiana, approximately 25 miles northwest of Lafayette. It is a wholly-owned subsidiary of Wolcott Bancorp, a one-bank holding company. No bank subsidiaries exist. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated May 30, 2013, based on the Small Institution CRA Examination Procedures.

### **Operations**

In addition to the main office in Wolcott, BOW operates two additional full-service offices: one office in Monticello, Indiana, and one in Remington, Indiana. No offices were opened or closed during the evaluation period. The institution offers agricultural, home mortgage, business, and consumer loan products, primarily focusing on agricultural lending. The institution provides a variety of deposit services including checking, savings, and certificates of deposit. Alternative banking services are offered including online banking, mobile banking, and electronic bill payment.

### **Ability and Capacity**

Assets totaled \$165.1 million on June 30, 2019, with total loans of \$114.1 million and total securities of \$39.1 million. Total assets have grown since the previous evaluation, which equaled \$129.4 million on March 31, 2013. The loan portfolio is illustrated in the following table. The major categories of portfolio loans by dollar volume are farm (52.7 percent), residential (22.7 percent), and commercial loans (22.4 percent). Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet AA credit needs.

<b>Loan Portfolio Distribution as of 6/30/19</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	423	0.4%
Secured by Farmland	39,065	34.2%
Secured by 1-4 Family Residential Properties	23,617	20.7%
Secured by Multi-family (5 or more) Residential Properties	2,245	2.0%
Secured by Non-farm Non-Residential Properties	15,566	13.7%
<b>Total Real Estate Loans</b>	<b>80,916</b>	<b>71.0%</b>
Commercial and Industrial Loans	9,940	8.7%
Agricultural Loans	21,135	18.5%
Consumer Loans	1,454	1.3%
Other Loans	655	0.5%
<b>Total Loans</b>	<b>114,100</b>	<b>100.0%</b>
<i>Source: Reports of Income and Condition</i>		

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. BOW has designated two AAs: one in a Non-MSA, and one in the Gary, Indiana MD.

The main office is located in White County, the entirety of which comprises the bank's Non-MSA AA. The second AA is comprised of the southern tracts of Jasper and Newton Counties, which are two of the four counties in the Gary, IN MD. The bank's AAs conform to the CRA regulation and do not arbitrarily exclude any LMI census tracts.

## **OVERALL CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

BOW 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 more than reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 79.8 percent over the past 25 calendar quarters from June 30, 2013, to June 30, 2019. The ratio has remained relatively constant over the evaluation period, fluctuating from a low of 70.5 percent on March 31, 2014, to a high of 83.5 percent on June 30, 2016.

Examiners evaluated BOW's LTD ratio by comparing it to the ratios of similarly-situated institutions. These institutions were selected based on asset size, geographic location, and lending focus. BOW maintained an average LTD ratio significantly higher than each of these institutions, as illustrated in the following table.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2019 \$(000s)	Average Net LTD Ratio (%)
Bank of Wolcott	165,092	79.8
Similarly-Situated Institution #1	161,136	59.7
Similarly-Situated Institution #2	304,683	65.0
Similarly-Situated Institution #3	311,399	64.4
<i>Source: Reports of Income and Condition 06/30/2013 through 6/30/2019</i>		

**Assessment Area Concentration**

A majority of loans are in the institution's AAs. The following table details the percentages of small farm, home mortgage, and small business loans that were originated in the combined AAs during the analyzed timeframes. In total, 76.0 percent by number and 73.0 percent by dollar amount were originated within the combined AAs.

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										
2017	33	78.6	9	21.4	42	3,113	77.5	905	22.5	4,018
2018	23	69.7	10	30.3	33	2,205	75.7	709	24.3	2,915
<b>Subtotal</b>	<b>56</b>	<b>74.7</b>	<b>19</b>	<b>25.3</b>	<b>75</b>	<b>5,318</b>	<b>76.7</b>	<b>1,614</b>	<b>23.3</b>	<b>6,933</b>
Small Business										
2018	51	81.0	12	19.0	63	4,504	69.6	1,965	30.4	6,469
<b>Subtotal</b>	<b>51</b>	<b>81.0</b>	<b>12</b>	<b>19.0</b>	<b>63</b>	<b>4,504</b>	<b>69.6</b>	<b>1,965</b>	<b>30.4</b>	<b>6,469</b>
Small Farm										
2018	32	71.1	13	28.9	45	5,917	72.5	2,246	27.5	8,163
<b>Subtotal</b>	<b>32</b>	<b>71.1</b>	<b>13</b>	<b>28.9</b>	<b>45</b>	<b>5,917</b>	<b>72.5</b>	<b>2,246</b>	<b>27.5</b>	<b>8,163</b>
<b>Total</b>	<b>139</b>	<b>76.0</b>	<b>44</b>	<b>24.0</b>	<b>183</b>	<b>15,739</b>	<b>73.0</b>	<b>5,825</b>	<b>27.0</b>	<b>21,565</b>
<i>Source: Evaluation Period: 1/1/2017 - 12/31/2018 Bank Data Due to rounding, totals may not equal 100.0</i>										

**Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the AAs. This criterion was only assessed in the Non-MSA AA as the Gary MD AA does not have any LMI tracts. A complete discussion of the performance for this criterion is in the Non-MSA AA portion of this evaluation.

### **Borrower Profile**

The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels and farms and businesses of different sizes. This conclusion is supported by and consistent with the conclusions for both AAs. A complete discussion of the performance for this criterion is in the separate AA sections of this evaluation.

### **Response to Complaints**

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

## **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.

## **NONMETROPOLITAN STATISTICAL AREA (NON-MSA)**

### *Full-Scope Review*

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NON-MSA AA**

BOW's main office and one branch operate in the non-MSA AA.

### **Economic and Demographic Data**

According to 2015 ACS data, census tracts within the AA reflect the following income designations:

- 0 low-income tracts,
- 1 moderate-income tract,
- 4 middle-income tracts, and
- 3 upper-income tracts.

The following table illustrates select demographic characteristics of the AA.



Demographic Information of the Assessment Area						
Assessment Area: Non-MSA AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	8	0.0	12.5	50.0	37.5	0.0
Population by Geography	24,388	0.0	11.8	50.1	38.1	0.0
Housing Units by Geography	12,964	0.0	10.5	52.4	37.2	0.0
Owner-Occupied Units by Geography	7,361	0.0	10.5	50.1	39.5	0.0
Occupied Rental Units by Geography	2,152	0.0	13.0	55.0	32.0	0.0
Vacant Units by Geography	3,451	0.0	8.9	55.6	35.5	0.0
Businesses by Geography	1,442	0.0	7.4	52.9	39.7	0.0
Farms by Geography	234	0.0	9.4	34.6	56.0	0.0
Family Distribution by Income Level	6,660	13.1	18.3	23.9	44.7	0.0
Household Distribution by Income Level	9,513	18.2	15.0	20.1	46.7	0.0
Median Family Income Non-MSAs - IN		\$55,741	Median Housing Value			\$109,349
			Median Gross Rent			\$677
			Families Below Poverty Level			6.4%
Sources: 2015 ACS Census and 2018 D&B Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.						

The 2017 FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories 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%
IN NA Median Family Income (99999)				
2017 (\$57,300)	<\$28,650	\$28,650 to <\$45,840	\$45,840 to <\$68,760	≥\$68,760
Source: FFIEC				

The analysis of small farm and small business loans under the Borrower Profile criterion compares the distribution of borrowers to the distribution of farms and businesses by revenue category. According to 2018 D&B data, there are 234 farms in the AA. Gross annual revenues (GARs) for these farms are as follows:

- 97.4 percent have revenues of \$1 million or less.
- 2.1 percent have revenues over \$1 million.
- 0.5 percent have unknown revenues.

The AA also contains 1,442 businesses. GARs for these businesses are as follows:

- 80.2 percent have revenues of \$1 million or less.
- 5.6 percent have revenues over \$1 million.
- 14.2 percent have unknown revenues.

Among all farm and non-farm businesses, service industries represent the largest portion of businesses at 34.6 percent, followed by agriculture (14.0 percent) and retail trade (12.1 percent). In addition, 68.7 percent of area businesses have four or fewer employees, and 88.0 percent operate from a single location. Leading employers in White County include Indiana Beach Amusement Resort and Vanguard National Trailer Corporation.

Data obtained from the U.S. Bureau of Labor Statistics indicates that July 2019 unemployment in White County was 2.7 percent, which compares favorably to the Indiana statewide unemployment rate of 3.4 percent.

Per the 2015 ACS data, the AA contains 12,964 housing units. Of these, 56.8 percent are owner-occupied, 16.6 percent are occupied rental units, and 26.6 percent are vacant. The Geographic Distribution criterion compares home mortgage lending to the distribution of owner-occupied housing units by tract income level.

### **Competition**

The small, one-county AA is competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2018, 7 financial institutions operated 13 full-service offices within the AA. BOW ranked second in market share in the AA, holding 21.3 percent of all deposits.

The bank is not required to collect or report its small farm or small business loan data, and it has not elected to do so. Therefore, the analysis of small farm and small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small farm and small business loans and is therefore included. Aggregate data for 2017 shows that 12 institutions reported 105 small farm loans and 35 lenders originated 298 small business loans in the AA, indicating a high degree of competition for these products, particularly given the size of the AA. In addition, only 3 small farm loans and 15 small business loans were generated by these reporting lenders in the moderate-income tract in the AA, reflecting a low demand for these types of credit in the moderate-income geography.

There is a moderate level of competition for home mortgage loans within the AA. In 2017, 128 lenders subject to HMDA data collection reported 830 home mortgage loans originated or purchased. BOW was ranked sixth in this group of lenders, with a market share of 3.3 percent.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit and community development needs. This information helps determine

whether local financial institutions are responsive to these needs. It also indicates what credit and community development opportunities are available.

Examiners conducted a new community contact interview for this AA with an economic development organization. The contact stated that current economic conditions continue to show growth, as has been the case for the past five years. The contact was unable to point to any unmet credit demands in the AA, and spoke of very highly of banks being supportive of community needs in White County.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA AA

### Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The bank's reasonable performance in small farm, home mortgage, and small business lending in the one moderate-income tract in the AA supports this conclusion.

### **Small Farm Loans**

The geographic distribution of small farm loans reflects reasonable dispersion throughout the AA. As shown on the following table, BOW did not originate any small farm loan in the moderate-income tract in the AA. However, only 22 farms exist in the one moderate-income tract, which limits the opportunity for small farm lending. As noted earlier, aggregate lending data further evidences the low demand for small farm credit in the census tract. Finally, discussions with a community contact indicated the credit needs of the AA are satisfactorily being met. As a result, the bank's lack of small farm lending to borrowers in this tract is reasonable for the review period.

Geographic Distribution of Small Farm Loans					
Assessment Area: Non-MSA AA					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Moderate	9.4	0	0.0	0	0.0
Middle	34.6	9	45.0	1,533	48.7
Upper	56.0	11	55.0	1,615	51.3
<b>Totals</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>3,148</b>	<b>100.0</b>

*Sources: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data; "--" data not available.*

### **Small Business Loans**

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA, as shown in the following table. BOW's lending by number in the moderate-income tract slightly trails but is comparable to business demographic. A higher percentage of lending by dollar volume also exhibits the bank's willingness to lend to small businesses in the AA's moderate-income tract. BOW's small business lending reflects reasonable performance.

Geographic Distribution of Small Business Loans					
Assessment Area: Non-MSA AA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	7.4	3	6.2	562	12.9
Middle	52.9	22	45.8	1,340	30.9
Upper	39.7	23	47.9	2,440	56.2
<b>Totals</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>	<b>4,342</b>	<b>100.0</b>

*Sources: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data; "--" data not available.  
Due to rounding, totals may not equal 100.0*

### Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA, as shown in the following table. BOW's percentage of loans originated to borrowers in moderate-income tracts slightly trails aggregate but represents reasonable performance.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Non-MSA AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	10.5	8.6	2	7.4	139	5.2
Middle	50.1	48.6	8	29.6	604	22.5
Upper	39.5	42.9	17	63.0	1,943	72.3
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>2,686</b>	<b>100.0</b>

*Sources: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0*

### Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels (including LMI) and small farms and small businesses of different sizes. The bank's reasonable performance of small farm and small business lending to farms and businesses with GARs of \$1 million or less and in home mortgage lending to LMI individuals supports this conclusion.

### Small Farm Loans

The distribution of borrowers reflects reasonable penetration to farms with GARs of \$1 million or less. The following table shows reasonable performance as the percentage of small farm loans extended to borrowers reporting GARs of \$1 million or less only slightly trailed the comparator (percent of small farms). It should be noted that the comparator reveals the percentage of small farms that operate in the AA, not necessarily those seeking financing. Combined with the fact that smaller entities tend to seek alternative forms of financing, such as home equity lines of credit or credit cards, it is expected that the bank's performance would trail the percent of farms reporting revenues of \$1 million or less. As a result, the bank's performance is reasonable.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Non-MSA AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤\$1,000,000	97.4	18	90.0	2,573	81.7
>\$1,000,000	2.1	2	10.0	575	18.3
Revenue Not Available	0.5	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	<b>3,148</b>	<b>100.0</b>

Sources: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data; "--" data not available.

### Small Business Loans

The distribution of borrowers reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table shows reasonable performance as the percentage of small business loans extended to borrowers reporting GARs of \$1 million or less is in line with the comparator (percent of small businesses). Further, the comparator reveals the percentage of small businesses that operate in the AA, not necessarily those seeking financing. Combined with the fact that smaller businesses tend to seek alternative forms of financing, such as home equity lines of credit or credit cards, it is expected that the bank's performance would trail the percent of businesses reporting revenues of \$1 million or less. As a result, the bank's performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Non-MSA AA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤\$1,000,000	80.2	38	79.2	2,554	58.8
>1,000,000	5.6	10	20.8	1,788	41.2
Revenue Not Available	14.2	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>	<b>4,342</b>	<b>100.0</b>

Sources: 2018 D&B Data; 1/1/2018 - 12/31/2018 Bank Data; "--" data not available.

### Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including LMI borrowers. BOW originated one home mortgage loan to low-income borrowers in the AA. As a percent of total loans, the bank's performance in lending to low-income borrowers trails aggregate. BOW's percentage of home loans originated to moderate-income borrowers is stronger in that it exceeds the demographic and is consistent with aggregate performance. Combined, the bank's distribution of borrowers reflects reasonable penetration among LMI individuals.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	13.1	10.0	1	3.7	3	0.1
Moderate	18.3	21.9	6	22.2	305	11.4
Middle	23.9	18.6	7	25.9	482	17.9
Upper	44.7	32.9	12	44.4	1,821	67.8
Not Available	0.0	16.6	1	3.7	75	2.8
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>	<b>2,686</b>	<b>100.0</b>
<i>Sources: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "-" data not available. Due to rounding, totals may not equal 100.0</i>						

**GARY, INDIANA, METROPOLITAN DIVISION (MD)**  
*Full-Scope Review*

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE GARY, IN, MD AA**

BOW operates one branch in the Gary MD AA.

**Economic and Demographic Data**

According to 2015 ACS data, census tracts within the AA reflect the following income designations:

- 0 low-income tracts,
- 0 moderate-income tracts,
- 3 middle-income tracts, and
- 0 upper-income tracts.

The following table illustrates select demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Assessment Area: Gary MD AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3	0.0	0.0	100.0	0.0	0.0
Population by Geography	8,545	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	3,536	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	2,148	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	968	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	420	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	578	0.0	0.0	100.0	0.0	0.0
Farms by Geography	121	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,132	20.0	21.0	28.1	30.9	0.0
Household Distribution by Income Level	3,116	23.8	18.3	21.6	36.2	0.0
Median Family Income MSA - 23844 Gary, IN MD		\$64,075	Median Housing Value			\$96,592
			Median Gross Rent			\$669
			Families Below Poverty Level			9.2%
Sources: 2015 ACS Census and 2018 D&B Data Due to rounding, totals may not equal 100.0 (* ) The NA category consists of geographies that have not been assigned an income classification.						

The 2017 FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories 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%
Gary, IN MD Median Family Income (23844)				
2017 (\$64,500)	<\$32,250	\$32,250 to <\$51,600	\$51,600 to <\$77,400	≥\$77,400
Source: FFIEC				

Per the 2015 ACS data, the AA contains 3,536 housing units. Of these, 60.7 percent are owner-occupied, 27.4 are occupied rental units, and 11.9 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units by tract income level.

The analysis of small farm and small business loans under the Borrower Profile compares the distribution of borrowers to the distribution of businesses and farms by revenue category. According to 2018 D&B data, there are 121 farms in the AA. GARs for these farms are as follows:

- 95.0 percent have revenues of \$1 million or less.
- 2.5 percent have revenues over \$1 million.
- 2.5 percent have unknown revenues.

The AA also contains 578 businesses. GARs for these businesses are as follows:

- 75.4 percent have revenues of \$1 million or less.
- 7.6 percent have revenues over \$1 million.
- 17.0 percent have unknown revenues.

Among all farm and non-farm businesses, service industries represent the largest portion of businesses at 28.9 percent, followed by agriculture (17.3 percent), and retail trade (13.6 percent). In addition, 67.7 percent of area businesses have four or fewer employees, and 85.0 percent operate from a single location. Leading employers in the AA include Advance Auto Parts, FBi Buildings, and Adkev Incorporated.

Data obtained from the U.S. Bureau of Labor Statistics indicates that July 2019 unemployment in Jasper County was 3.7 percent and in Newton County was 4.2 percent, which are higher than the Indiana statewide unemployment rate of 3.4 percent.

### **Competition**

The AA is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2018, 10 financial institutions operated 21 full-service offices within the AA. BOW ranked ninth in market share in the AA, holding 2.9 percent of all deposits.

The bank is not required to collect or report its small farm loan data, and it has not elected to do so. Therefore, the analysis of small farm loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small farm loans and is therefore included. Aggregate data for 2017 shows that 12 institutions reported 133 small farm loans and that the top two small farm lenders account for 69.2 percent of market share, which demonstrates a high level of competition for this product. Furthermore, there is a high level of competition for home mortgage loans within the AA. In 2017, 56 lenders subject to HMDA data collection reported just 207 home mortgage loans originated or purchased. BOW was ranked 11<sup>th</sup> in this group of lenders, with a market share of 2.9 percent.

### **Community Contact**

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



Examiners conducted a new community contact interview for this AA with a rural development organization. The contact stated that although the economy was affected by St. Joseph's College in Rensselaer closing in 2017, the economy is still overall doing well. The contact stated the area has the highest cost for housing in Indiana, and there is a need for financing for home mortgage loans for those with lower incomes. The contact also stated Jasper and Newton County have many "mega" farms, so there is not much opportunity or need for small farm lending.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN GARY, IN, MD AA

### Geographic Distribution

The AA does not include any LMI census tracts. Due to the homogeneous nature of this area, an in-depth review of the loan distribution was not analyzed. Nonetheless, the origination of home mortgage loans, small business loans, and small farm loans was noted throughout the AA with no conspicuous gaps in lending identified.

### Borrower Profile

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among farms and businesses of different sizes and individuals of different income levels (including LMI). The volume of loans overall was low in this AA, which makes comparing the bank's limited performance to comparators less conclusive.

### Small Farm Loans

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among farms of different sizes. As shown in the following table, the bank's performance in lending to farms reporting revenues of \$1 million or less trails the demographic. Aggregate lending, as discussed previously, demonstrates low demand for these products. Further, community contact information also indicates a lower level of demand for small farm loans. Combined with the fact that smaller entities tend to seek alternative forms of financing, such as credit cards and home equity lines of credit, BOW's small farm lending is reasonable in this AA.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Assessment Area: Gary MD AA					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤\$1,000,000	95.0	8	66.7	1,819	65.7
>\$1,000,000	2.5	4	33.3	950	34.3
Revenue Not Available	2.5	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>12</b>	<b>100.0</b>	<b>2,769</b>	<b>100.0</b>
<i>Sources: 2018 D&amp;B Data; 1/1/2018 - 12/31/2018 Bank Data; "--" data not available</i>					

### Small Business Loans

Only three small business loans were originated in 2018; no table or analysis is presented as there were too few loans to draw meaningful conclusions.

## Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including LMI), as shown in the following table. Lending to low-income borrowers was more favorable than aggregate lending performance and the low-income family population. Lending to moderate-income borrowers slightly trails but is generally in line with aggregate performance and the moderate-income family population. Combined, the bank's distribution of borrowers reflects reasonable penetration among LMI individuals.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Gary MD AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.0	18.8	2	33.3	95	22.2
Moderate	21.0	21.7	1	16.7	92	21.5
Middle	28.1	17.9	0	0.0	0	0.0
Upper	30.9	24.6	2	33.3	184	43.1
Not Available	0.0	16.9	1	16.7	56	13.1
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>427</b>	<b>100.0</b>

*Sources: 2015 ACS Census; 1/1/2017 - 12/31/2017 Bank Data, 2017 HMDA Aggregate Data, "-" data not available.  
Due to rounding, totals may not equal 100.0*

## GLOSSARY

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

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

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

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

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

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

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

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

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**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 (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

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

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

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

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

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