

Farmers State Bank

Community Reinvestment Act Policy

Name of Policy:	Community Reinvestment Policy
Functional Area(s):	Farmers State Bank
Organizational Area:	Compliance Officer
Last Board Approval:	March 21, 2023
Date of Board Approval:	December 19, 2023

Executive Summary

The Community Reinvestment Act (CRA) was implemented by the Federal Reserve as Regulation BB in 1978 following the congressional adoption of Title VII of the Housing and Community Development Act of 1977. Its intent is to encourage all financial institutions to assess and meet the credit needs of their local communities including low-to-moderate-income areas consistent with the institutions' business strategies. CRA does not prohibit any activities nor does it require specific allocation of credit.

Changes:

This policy comes to the board with changes in the census tracts associated with the bank's assessment area for LaGrange County and Elkhart County. With the release of the updated Census Data in 2023 the areas of Elkhart and part of LaGrange both had changes to the census tracts. Previously the bank's assessment area covered tracts 8.01, 8.02 and 9 in Elkhart County. Now the tracts covered in Elkhart County include 8.01, 8.03, 8.04, 9.01 and 9.02. Also, previously in LaGrange County the tracts covered included 9701, 9702, 9703, 9704.01, 9704.02, 9705, 9706 and 9707. One tract changed in LaGrange which was 9703. That tract was split into two tracts and now are 9703.01 and 9703.02 tracts. This did not add or change the bank's assessment area just the tracts located within the assessment area have been changed. The policy statement section was updated to include gender identity and sexual orientation in sentence noting the bank will not discriminate on the basis of. Also, added under the Program Administration section was the periodic review will also include borrower distribution of loans. Under the Assessment Area it was recommended to remove does not exclude low-or moderate income geographies in the very last sentence after illegal discrimination so that has been removed.

POLICY STATEMENT

The Board of Directors of Farmers State Bank, in recognition of its responsibility to comply with federal and state laws and regulations, establishes this policy and affirms the Bank's commitment to community reinvestment. To fulfill this commitment, the Bank will strive to comply with the Community Reinvestment Act (CRA), the Home Mortgage Disclosure Act (HMDA) and fair lending regulations. No individual will be denied the services of Farmers State Bank due to discrimination because of race, color, religion, national origin, sex including gender identity and sexual orientation, marital status, disability, age, receipt of income from a public assistance program, familial status (the presence of children under the age of 18) or the good faith exercise of any right under the Consumer Credit Protection Act. Employees are instructed to treat all persons fairly and not to discourage any individual from applying for credit. We will accept and consider all written applications for credit and will grant such credit based on safe and sound banking principles.

THE PURPOSE

It is the policy of the Bank to help meet the credit needs of the community we serve, including low- or moderate-income individuals or geographies in our assessment areas, under safe and sound operations. This policy statement is intended to assist all employees in understanding and carrying out that mandate. The CRA emphasizes performance in the areas of community development through loans, investments and services. The Bank will be evaluated on our activities in those areas, and our performance will be taken into account by our regulator when considering applications by the Bank for mergers, acquisitions, or branching activities.

OBJECTIVE

The general objective of this policy is to establish authority for an ongoing CRA compliance program which will, at a minimum:

- A. Identify and document the Bank's assessment areas.
- B. Ensure the Bank assesses the credit needs of the individuals and businesses in the geographies with-in the defined assessment areas.
- C. Ensure proper maintenance and documentation of the CRA Public File and CRA Notice.
- E. Ensure training for all employees so they have an understanding of the CRA, HMDA and fair lending requirements associated with their duties and responsibilities.
- F. Require collection and reporting of lending data, as applicable in a timely manner.
- G. Encourage employee participation in community development service initiatives.

POLICY ELEMENTS

Authority

The Board of Directors will designate a CRA Officer that will be accountable for the Bank's CRA program and will be responsible for the coordination and oversight of the Bank's community reinvestment initiatives. The CRA Officer shall have the authority to initiate and implement the necessary policies and procedures to maintain compliance with the applicable laws and regulations. In addition, the Bank may require an independent audit of the

Bank's CRA compliance efforts as deemed appropriate. The CRA Officer will report periodically to the Board of Directors on CRA activities and the Bank's performance results following an audit or examination.

Assessment Areas

The Board of Directors has delineated its CRA assessment areas based on factors including the Bank's locations, size, condition, lending expertise, competition and regulatory requirements. The assessment areas of the Bank consist of geographies that the Board reasonably believes the Bank can serve. The assessment areas include geographies in which the bank has its main office, its branches, and its deposit-taking ATMs, as well as the surrounding geographies in which the Bank has originated or purchased a substantial portion of its loans including home mortgage loans, small business and small farm loans, community development loans and any other loans the Bank chooses for which the performance of the bank will be assessed under the Community Reinvestment Act. The delineation of the Bank's assessment areas does not reflect any illegal discrimination.

The Bank has the following delineated assessment areas:

- All of LaGrange County, Indiana
- All of Steuben County, Indiana
- Within Noble County, Indiana: the geographies 9717, 9720, 9721, & 9722
- Within Elkhart County, Indiana: the geographies of 8.01, 8.03, 8.04, 9.01, & 9.02
- Within DeKalb County, Indiana: the geographies of 0202, & 0201
- Within St. Joseph County, Michigan: the geographies of: 0405, 0406, 0407, 0408, 0415, & 0416

Program Administration

Board of Directors: The Board of Directors shall oversee the Bank's CRA program through periodic review of the Bank's performance toward established goals under the Program. This will include a review of geographic distribution of loans, borrower distribution of loans, HMDA and CRA data results by the Bank.

CRA Officer: The CRA Officer shall have the following duties and responsibilities:

- Oversee the CRA policy and program, and serve as an advisor to the Board of Directors on the status and adequacy of the Bank's compliance with the CRA, reporting at least annually.
- Collaborate and determine ways to improve the Bank's CRA position as appropriate.
- Ensure that systems are in place to collect and report CRA and HMDA data as required by regulation.
- Ensure proper training of staff for CRA and fair lending compliance. This will include HMDA and CRA reporting and ensuring all employees understand their role for complying with the technical requirements of CRA including an understanding of community development lending, investment and services opportunities.
- Maintain the Bank's CRA Public File in the main office and each branch location. Respond to requests for a copy of the CRA Public File.
- Review all customer complaints and determine whether any are related to the Bank's CRA performance, providing an appropriate written response on behalf of the Bank.

Employee Responsibilities

While the CRA Officer is responsible for the coordination and oversight of the CRA program, each employee will be responsible for assuring compliance in the performance of their duties. Farmers State Bank encourages all of its employees to become involved in community programs that include community development services initiatives. Employees are expected to report their involvement to the CRA Officer when requested.

CRA Program Documentation

In order to document the efforts of the Bank's CRA program, the CRA Officer will keep, at a minimum, the following documentation:

- CRA Policy
- Delineation and substantiation of Assessment Areas
- CRA Public File
- CRA Public Notice
- Written comments from the public that relate to the Bank's performance in helping meet the credit needs of the communities served, along with the Bank's written response
- Evidence of CRA and related regulations training
- CRA Audit and Examination reports and written responses