PUBLIC DISCLOSURE

August 14, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Better Banks
Certificate Number: 1808

10225 N. Knoxville Avenue
Peoria, Illinois 61615

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

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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, including low- and moderate -income neighborhoods, in a manner consistent with its resources and capabilities.

Better Bank's satisfactory Community Reinvestment Act (CRA) performance is supported by the following factors. Examiners did not identify any evidence of discriminatory or other illegal credit practices.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are within the institution's assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate -income).
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Background
Better Banks is a $451.1 million community bank that operates ten banking locations in and around the bank's headquarters in Peoria, Illinois. The institution is owned by Backlund Investment Company, a two-bank holding company located in Peoria Heights, Illinois. State Street Bank and Trust Company is affiliated through this ownership structure; however, the institutions operate independently. Community Financial Center, Inc. is also a holding company subsidiary that is affiliated through this ownership structure. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation, dated June 16, 2020, based on Interagency Small Institution Examination Procedures.

Operations
The bank operates ten full-service offices in Peoria, Dunlap, Morton, Chillicothe, Wyoming, Astoria, Glasford, Mapleton, and two in Bartonville. The locations in Glasford and Mapleton were added since the previous evaluation due to the merger of Better Banks and Glasford State Bank, which occurred in June 2022. Glasford State Bank was previously an affiliated bank due to common holding company ownership. No other branches were opened or closed and there was no other merger activity.

Better Banks offers a range of loan products for retail, commercial, and agricultural customers, primarily focusing on consumer and home mortgage lending. Business and consumer credit cards are offered as well. The institution provides a variety of deposit services including checking, savings, certificates of deposit, and individual retirement accounts. Commercial offerings also include cash management services, merchant services, and remote deposit capture. Alternative banking services include internet, telephone, and mobile banking as well as drive-up and automated teller machine (ATM) services. In addition to services offered directly to Better Banks' customers, the bank also has a network of automobile dealerships that it participates in to facilitate indirect automobile lending.

Various loan programs are offered that may be particularly beneficial for low- and moderate-income borrowers, as well as small businesses and small farms. The bank entered into a third-party lending relationship during this review period that will allow them to refer customers for long-term fixed rate home mortgage loan programs that are particularly beneficial for low- and moderate-income borrowers. New offerings through this relationship include loans through the Federal Housing Administration (FHA), United States Department of Veteran's Affairs (VA), and United States Department of Agriculture (USDA) Rural Housing program. These programs generally allow lower down payments and have more flexible guidelines than conventional loans. Although these loans are not directly reflected in the bank's performance as the volume is limited at this point, their efforts to offer these programs helps demonstrate a commitment to meeting the credit needs in the assessment area.

Better Banks participates in the Federal Home Loan Bank (FHLB) of Chicago's Downpayment Plus program that provides grants to eligible first time home buyers. During this review period, the bank assisted in securing grants for 23 borrowers totaling $154,000. Additionally, FHLB provided its member institutions with various grant opportunities to provide funds to community organizations during the COVID-19 pandemic. Better Banks participated in the FHLB COVID-19 Relief Grant Program and received $15,000 of grant funds that were provided to local nonprofit organizations within the assessment area.

The bank also offers small business loans secured by the Small Business Administration (SBA). These loans provide financing to new or expanding businesses, generally with longer terms and more flexible guidelines than conventional financing. In response to the economic impact on small businesses resulting from the COVID-19 pandemic, the SBA created the Paycheck Protection Program (PPP). This loan program was designed to help small businesses maintain and compensate their workforce during the crisis. Better Banks participated in the PPP program and originated 216 PPP small business loans totaling $7.9 million. An average loan amount of $36,601 indicates that the majority of the bank's PPP lending was targeted towards assisting smaller businesses.

Ability and Capacity

As of June 30, 2023, Better Banks reported total assets of $451.1 million, total loans of $269.2 million, total securities of $152.8 million, and total deposits of $426.2 million. The following table illustrates the loan portfolio. Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

Loan Portfolio Distribution as of 6/30/2023		
Loan Category	**$(000s)**	**%**
Construction, Land Development, and Other Land Loans	4,638	1.7
Secured by Farmland	16,100	6.0
Secured by 1-4 Family Residential Properties	80,311	29.8
Secured by Multi-family (5 or more) Residential Properties	3,270	1.2
Secured by Non-farm Non-Residential Properties	20,668	7.7
Total Real Estate Loans	124,987	46.4
Commercial and Industrial Loans	16,201	6.0
Agricultural Production and Other Loans to Farmers	3,971	1.5
Consumer	120,638	44.8
Obligations of States and Political Subdivisions in the United States	3,367	1.3
Other Loans	78	<1.0
Total Loans	**269,242**	**100.0%**
Source: Reports of Condition and Income		

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Better Banks' designated assessment area includes Fulton, Peoria, Schuyler, Stark, and Tazewell Counties in their entirety, as well as Woodford County tracts 304, 305.01, and 305.02. All of these geographies are contiguous. The assessment area includes five of the six counties in the Peoria, Illinois Metropolitan Statistical Area (MSA). Schuyler County remains a non-metropolitan area and is similar in nature to the adjoining rural portions of the assessment area and the bank does not operate an office in the county. As a result, the entire area is reviewed collectively as the Peoria, IL MSA.

The current assessment area reflects changes since the previous evaluation. Specifically, the area was expanded to include all of Fulton County following the merger with Glasford State Bank. Both banks previously had portions of Fulton County in their respective assessment areas. The assessment area does not arbitrarily exclude any low- or moderate -income census tracts, does not reflect illegal discrimination, and otherwise meets the requirements of the regulation.

Economic and Demographic Data

The assessment area includes 99 census tracts and has a population of 375,095. These tracts reflect the following income designations according to 2020 Census data:

- 9 low-income tracts,
- 22 moderate-income tracts,
- 50 middle-income tracts, and
- 18 upper-income tracts.

Several changes were noted regarding census tract income designations based on 2020 Census data. When compared to 2015 ACS data used during the previous evaluation, the number of low-income tracts decreased from 12 to nine, and the number of moderate-income tracts increased from 18 to 22.

All nine low-income and 13 of the 22 moderate-income census tracts are located within the City of Peoria. The low-income tracts are located in the downtown area. These geographies are along the Illinois River and comprise several business districts that offer merchants and manufacturers easy access to water and rail transportation. Commercial developments are prominent in these geographies on both sides of the river, which serves as a natural barrier between portions of the assessment area. Most of Peoria's moderate-income tracts are located west of the low-income tracts. This area contains two medical centers and related offices, which are bordered by all low- and moderate-income census tracts. The remaining tracts largely encompass the area in and around the Bradley University campus. The presence of these commercial areas results in fewer residents and lower levels of owner-occupied housing, when compared to the rest of Peoria County.

The remaining moderate-income tracts are located in Fulton (4), Tazewell (4), and Schuyler (1) Counties. The moderate-income geographies in Fulton County are primarily along the eastern and southern edges of the county and border the river, as are the moderate-income tracts in Tazewell County. In general, these tracts also have less population density and housing. For example, in Tazewell County, only 10.7 percent of the county's population resides in moderate-income tracts, and only 11.9 percent of the housing units in are located there. Of those housing units, 67 percent are owner-occupied, 25 percent are rentals, and 8 percent are multifamily housing. There is one moderate-income geography in Rushville, located in Schuyler County. The bank does not operate any offices in Schuyler County and the nearest office is in Astoria, which is over ten miles away.

A majority of the bank's branch locations are in Peoria County, but offices are also operated in Fulton, Stark, and Tazewell Counties. With the exception of the Astoria branch, which is in a moderate-income tract in Fulton County, all of the offices are located in middle- and upper-income tracts. The following table provides a summary of the demographics, housing, and business information within the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	**#**	**Low % of #**	**Moderate % of #**	**Middle % of #**	**Upper % of #**	**NA* % of #**
Geographies (Census Tracts)	99	9.1	22.2	50.5	18.2	0.0
Population by Geography	375,095	5.1	20.7	49.9	24.3	0.0
Housing Units by Geography	171,518	6.1	22.0	51.1	20.8	0.0
Owner-Occupied Units by Geography	109,327	2.3	19.9	54.2	23.6	0.0
Occupied Rental Units by Geography	43,327	12.8	24.8	45.2	17.1	0.0
Vacant Units by Geography	18,864	13.1	27.2	46.6	13.0	0.0
Businesses by Geography	25,957	9.7	16.8	47.8	25.8	0.0
Farms by Geography	1,445	2.0	15.6	58.8	23.6	0.0
Family Distribution by Income Level	95,316	19.8	18.9	21.0	40.3	0.0
Household Distribution by Income Level	152,654	24.0	16.0	18.5	41.5	0.0
Median Family Income MSA - 37900 Peoria, IL MSA		$77,873	Median Housing Value			$135,023
Median Family Income Non-MSAs - IL		$68,958	Median Gross Rent			$791
			Families Below Poverty Level			8.2%
Sources: 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.						

Under the borrower profile criterion, examiners analyze the bank's home mortgage lending activities by the borrowers' income category using the FFIEC-updated median family income levels. The following table illustrates the low-, moderate-, middle-, and upper-income thresholds for 2022.

Median Family Income Ranges				
Median Family Incomes	**Low <50%**	**Moderate 50% to <80%**	**Middle 80% to <120%**	**Upper ≥120%**
Peoria, IL MSA Median Family Income (37900)				
2022 ($88,700)	<$44,350	$44,350 to <$70,960	$70,960 to <$106,440	≥$106,440
IL NA Median Family Income (99999)				
2022 ($76,100)	<$38,050	$38,050 to <$60,880	$60,880 to <$91,320	≥$91,320
Source: FFIEC				

Manufacturing, health care, and education remain the largest employment sectors in the area. OSF Healthcare is now the area's largest employer, followed by Caterpillar, Inc. Another healthcare facility and two higher education facilities round out the list of the top five non-governmental employers in the area. According to Moody's Analytics, the Peoria MSA continues to have a great reliance on heavy equipment and healthcare, making the area's economy particularly volatile. Moody's also noted that the Peoria MSA has emerged stronger than average, but issues such as population loss and state and local fiscal pressures could result in recent gains not being sustainable.

Unemployment rates have generally been comparable to, but slightly higher than the state and national rates, throughout the review period. All of these rates were elevated in 2020 and 2021, primarily due to the impact of the COVID-19 pandemic, but are returning to normal levels. Moody's noted volatility in the manufacturing and healthcare industries as contributing factors for the slightly higher rates in the area. Please see the following table for additional details by county.

Unemployment Rates			
Area	**2021**	**2022**	**June 2023**
	%	**%**	**%**
Fulton County	5.8	4.8	5.3
Peoria County	7.2	5.0	5.5
Schuyler County	4.2	4.1	4.1
Stark County	5.6	4.9	5.2
Tazewell County	5.1	4.1	4.6
Woodford County	4.1	3.4	4.1
State of Illinois	6.1	4.6	4.5
National Average	5.4	3.7	3.8
Source: Bureau of Labor Statistics			

Competition

The assessment area is competitive in the market for financial services. According to the FDIC Summary of Deposits data as of June 30, 2022, there were 44 financial institutions operating 140 facilities throughout the assessment area. Better Banks ranked seventh with a 3.8 percent deposit share. Better Banks holds a 7.2 percent deposit market share and ranks sixth out of 19 institutions operating within Peoria County, which is where it operates its main office and seven full-service locations.

There is also a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2022 data reported pursuant to Home Mortgage Disclosure Act (HMDA), 398 lenders reported a total of 10,198 home mortgage loan originations and purchases in the assessment area. Better Banks ranked fifteenth out of this group with a market share of 1.3 percent. The five most prominent home mortgage lenders accounted for almost half (48.2 percent) of the market share, which helps illustrate the competitive nature in the market.

Community Contacts

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

Examiners reviewed two recently conducted community contacts that were performed with an emphasis on activities in the Peoria MSA. The contacts discussed local economic conditions, housing trends, and local credit needs. Both contacts noted that businesses in the community are doing well, but are struggling to find employees. The contacts noted that manufacturing and healthcare have seen the strongest recoveries and that retail and hospitality are rebounding, but still have not fully recovered. All counties have at least one hospital and some retail establishments, but the bulk of the jobs are in Peoria County and the City of Peoria.

One of the contacts noted that the Peoria MSA is one of the most affordable housing markets in the country but is suffering from a low supply. The contact explained that over the last year, housing prices have increased and the supply of housing is at a historical low. Housing construction projects have been low, but there has been some traction with affordable housing projects and programs that will include multi-family complexes for homeless populations. A contact also noted that there are areas in Peoria and Pekin that have more concentrated levels of residents that are low-income or are living in persistent poverty. There are also some pockets of rural poverty.

The contacts were not aware of any unmet credit needs in the assessment area. They noted a mix of financial institutions of varying sizes from smaller community banks to larger regional and national banks. While the competition between banks is substantial, there are enough needs throughout the area for all of them to actively participate.

Credit Needs

Considering information from community contacts, bank management, and demographic and economic data, examiners determined that loans for low- and moderate-income individuals are important needs in the area with 25.8 percent of the population classified as low- or moderate-income and 8.2 percent are living below the poverty level. Additionally, 31.3 percent of the geographies in the area are designated as low- or moderate-income. The need for affordable housing was identified by the contacts and supported through a review of local assistance programs and projects throughout the area. Financial literacy was an additional need identified.

Commercial lending needs are also prominent in the area, as well as a need for agricultural lending in rural portions of the area. Numerous opportunities were identified for economic development in the area that involve various grant programs to spur involvement. These areas utilize tools such as Tax Increment Financing (TIF) districts, which is a public financing method that is used as a subsidy for redevelopment, infrastructure, and other community-improvement projects. Opportunity Zones, which are also a tool for economic development, designed to connect distressed, low-income communities (urban and rural) with private investment capital, resulting in economic growth and job creation are utilized in the area as well.

The assessment area provides adequate opportunities for financial institutions to become involved in credit and community development activities. Throughout the assessment area, there are areas targeted for economic development to attract new and retain existing businesses. There are also affordable housing projects that include funding from the State of Illinois and various federal, state, and local grant programs to help address the housing needs of low- and moderate-income individuals. Additionally, several non-profit agencies were identified in the area provide essential services to low- and moderate-income individuals.

SCOPE OF EVALUATION

General Information

Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Better Banks' CRA performance. This evaluation covers the period from the prior FDIC performance evaluation dated June 16, 2020 to the current evaluation dated August 14, 2023. This evaluation did not include any lending activity performed by affiliates.

Activities Reviewed

Examiners determined that the bank's major product lines are still consumer and home mortgage lending. These products represent the largest share of the number and dollar volume of loans originated during the evaluation period. Additionally, these loan products are the bank's main lending focus and are representative of credit needs in the assessment area.

Performance was equally weighted between consumer and home mortgage lending in the overall conclusions and rating. Consumer lending continues to be a focus for the bank and now comprises a larger percentage of the loan portfolio; however, home mortgage loans, also remain a prevalent product. Most of the bank's consumer lending activity is comprised of automobile secured transactions that are originated either directly by the bank or through the network of third-party indirect automobile dealerships. Small farm and small business loans are not considered in the evaluation because the credit products are not a primary business focus and do not represent a substantial majority of the bank's lending activity by number or dollar volume of loans and would not provide material support for conclusions or ratings.

Bank management confirmed that the lending activity for the period from January 1, 2022 through December 31, 2022 is representative of the bank's performance during the evaluation period. Using bank records, examiners reviewed all 1,795 consumer automobile loans originated during that period, which totaled $47 million. While all loans were reviewed for the assessment area concentration and geographic distribution, a random sample of 77 consumer loans totaling $1.98 million was derived from the loans originated inside the assessment area to analyze the borrower profile distribution.

This evaluation also considered all 2020, 2021, and 2022 home mortgage loans reported pursuant to HMDA data collection requirements. Loan volume reflected a downward trend during this period, which was attributed to general market conditions and significant recent interest rate increases. In 2020, the bank reported 461 loans totaling $74.9 million. In 2021, the bank reported 333 loans totaling $49.2 million and in 2022, the bank reported 161 loans totaling $23.8 million. Examiners did not identify any trends in the loan data from year to year that materially affected the conclusions drawn. Therefore, this evaluation only presents information for 2022, the most recent year with available aggregate HMDA lending data.

Examiners analyzed Better Banks' CRA performance in relation to applicable performance context. Performance context includes factors such as bank size and structure, financial condition, loan mix, resources and limitations, demographics of the assessment areas, economic factors, competition, credit needs, and available opportunities. For consumer and home mortgage lending, examiners used demographic data from the 2020 U.S. Census. The bank's home mortgage lending performance was also compared to 2022 aggregate HMDA data to gauge activity levels of other lenders in the bank's designated assessment area.

For the Lending Test, examiners reviewed and presented the number and dollar volume of loans; however, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals served. For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services conducted since the prior CRA evaluation dated June 16, 2020.

As previously mentioned, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. Examiners reviewed and considered two community contacts for this public evaluation that were performed within 12 months of the current evaluation date.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Better Banks demonstrated reasonable responsiveness to assessment area credit needs. Assessment Area Concentration and Borrower Profile performance primarily support this conclusion, aided by Geographic Distribution lending levels.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The average net LTD ratio was 65.6 percent over the past 13 calendar quarters from June 30, 2020 to June 30, 2023. The ratio ranged from a high of 75.8 percent as of June 30, 2020 to a low of 61.7 percent as of March 31, 2021. The ratio has generally trended downward throughout the period and was 62.2 percent as of June 30, 2023, which is the most recent figure. Similar trends have been observed at other institutions during the review period, and is partially attributed to fluctuations experienced by pandemic related matters and programs.

The bank's average net LTD ratio was compared to four other banks considered similarly-situated due to geography, product mix, and asset size. As detailed in the following table, Better Banks' ratio was comparable to these similarly-situated institutions (SSI), which had average ratios ranging from 63.0 percent to 93.6 percent.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 6/30/2023 $(000s)	Average Net LTD Ratio (%)
Better Banks	**451,074**	**65.6**
Similarly-Situated Institution #1	676,037	93.6
Similarly-Situated Institution #2	619,117	73.5
Similarly-Situated Institution #3	306,209	68.1
Similarly-Situated Institution #4	281,439	63.0
Source: Reports of Condition and Income 6/30/20 through 6/30/23.		

Assessment Area Concentration

A majority of the bank's home mortgage and consumer loans, by number and dollar volume, were originated within its assessment area. The following table details the bank's concentration of loans inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans $(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%	#	$	%	$	%	$(000s)
Home Mortgage										
2020	424	92.0	37	8.0	461	67,830	90.5	7,125	9.5	74,955
2021	298	89.5	35	10.5	333	42,936	87.2	6,306	12.8	49,242
2022	133	82.6	28	17.4	161	18,634	78.2	5,180	21.8	23,814
Subtotal	**855**	**89.5**	**100**	**10.5**	**955**	**129,400**	**87.4**	**18,611**	**12.6**	**148,011**
Consumer Auto										
2022	1,347	75.0	448	25.0	1,795	34,507	73.4	12,495	26.6	47,002
Sources: Bank Data, 2020-2022 HMDA Reported Data. Due to rounding, totals may not equal 100.0%										

Geographic Distribution

The geographic dispersion of loans reflects reasonable penetration throughout the assessment area. This conclusion is supported by the bank's performance between both product lines. For this criterion, examiners focused on the percentage, by number of loans, in low- and moderate -income census tracts.

Consumer Loans

The geographic distribution of consumer loans reflects reasonable dispersion throughout the assessment area. The level of lending in moderate-income tracts primarily supports this rating. Examiners focused on the comparison to demographic data for the assessment area.

The bank's lending performance in low-income geographies is slightly below the percentage of households in these tracts, but is considered reasonable. There are fewer households in the low-income geographies compared to the rest of the assessment area, which is partially attributed to the presence of many commercial developments. Of the households in low-income census tracts, over half are low-income (64 percent) and over one-third (43 percent) are living below the poverty level. These factors impact lending opportunities and the bank's ability to penetrate these areas. Additionally, there are other financial institution offices either operating in, or in closer proximity to, these geographies.

Lending levels in moderate-income tracts were more comparable to, and slightly exceeded, area demographics. The bank's locations are in closer proximity to the moderate-income geographies in the area. Additionally, some of the car dealerships participating in the indirect lending relationships are located in or near these geographies, which likely contributed to the lending level. The following table details the bank's lending to borrowers of varying income levels.

Geographic Distribution of Consumer Loans					
Tract Income Level	**% of Households**	**#**	**%**	**$(000s)**	**%**
Low	5.3	31	2.3	752	2.2
Moderate	21.3	303	22.5	6,865	19.9
Middle	51.6	770	57.2	20,315	58.9
Upper	21.8	243	18.0	6,575	19.0
Totals	**100.0**	1,347	100.0	34,507	100.0
Sources: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%.					

Home Mortgage Loans

The distribution of home mortgage loans is reasonable. Examiners focused on the comparison to aggregate lending performance for the assessment area, but also considered area demographics.

The bank only made one loan in a low-income tract, but lending opportunities are somewhat limited as reflected by the area demographics, which indicates that only 2.3 percent of owner-occupied housing units are in these geographies. In addition, aggregate lending data trailing area demographics is reflective of challenges faced by all lenders to penetrate these areas. These factors impact lending opportunities and the bank's ability to originate home mortgages in these geographies.

The 22 loans made in moderate-income were dispersed throughout the assessment area. There were eight loans made in the Fulton County, all in the tract where the bank's Astoria office is located. Additionally, there were nine loans made in moderate-income geographies in Peoria County, four in Tazewell County, and one in Schuyler County. This loan dispersion reflects activity throughout the moderate-income portions of the assessment area and greater penetration in Peoria County than during the previous evaluation period.

Lending levels in the low- and moderate-income geographies are comparable to aggregate lending data and area demographics, as detailed in the following table. This performance is reasonable when considering the level of lending opportunities in these geographies and competition in the area. There are other lenders located in, or in closer proximity to, both the low- and moderate-income geographies in the assessment area, particularly in Peoria and Tazewell Counties. Additionally, the bank's performance in moderate-income geographies has increased since the previous evaluation. These factors support reasonable performance.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	**% of Owner-Occupied Housing Units**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low	2.3	1.0	1	0.8	123	0.7
Moderate	19.9	19.2	22	16.5	1,741	9.3
Middle	54.2	55.4	71	53.4	8,156	43.8
Upper	23.6	24.4	39	29.3	8,615	46.2
Totals	**100.0**	**100.0**	**133**	**100.0**	**18,634**	**100.0**
Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. The bank's performance between both product lines supports this conclusion, but consumer lending performance was particularly strong. Examiners focused on the number of consumer and home mortgage loans to low- and moderate -income individuals.

Consumer Loans

The distribution of consumer loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. For this analysis, the level of lending to borrowers of different income levels is compared to the percentage of households by income level in the assessment area. As shown in the following table, loan originations to low-income borrowers were in-line with the percentage of households in the area. However, the level of lending to moderate-income borrowers was particularly strong and exceeded the percentage of moderate-income households by 10 percent. These lending levels illustrate the bank's efforts to meet the credit needs of the assessment area, particularly for low- and moderate-income borrowers.

Distribution of Consumer Loans by Borrower Income Category					
Borrower Income Level	**% of Households**	**#**	**%**	**$(000s)**	**%**
Low	24.0	18	23.4	379	19.2
Moderate	16.0	20	26.0	429	21.7
Middle	18.5	16	20.8	473	24.0
Upper	41.5	23	29.8	694	35.1
Totals	**100.0**	**77**	**100.0**	**1,975**	**100.0**
Sources: 2020 U.S. Census; Bank Data. Due to rounding, totals may not equal 100.0%.					

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. This conclusion is primarily supported by lending levels for moderate-income borrowers. Examiners focused on the comparison to aggregate lending data for the assessment area, but also considered area demographics.

Lending levels to low-income borrowers is poor and trailed aggregate lending data and area demographics. As detailed in the following table, there is a difference between aggregate performance (15.1 percent) and the percentage of low-income families residing in the area (19.8 percent). Lower aggregate lending levels are indicative of the challenges faced by lenders to penetrate this market segment. To some degree, this disparity can be attributed to the level of families below the poverty level (8.2 percent). These families are not likely to qualify for, or be able to support, housing-related expenses, which results in reduced home mortgage lending opportunities. Despite these challenges, aggregate lending data indicates that lending opportunities are available. Other lenders have achieved significantly higher penetration rates for this market segment.

Lending performance to moderate-income borrowers was stronger and exceeded both aggregate lending levels and area demographics. The following table details the bank's lending to borrowers of varying income levels.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	**% of Families**	**Aggregate Performance % of #**	**#**	**%**	**$(000s)**	**%**
Low	19.8	15.1	8	6.0	573	3.1
Moderate	18.9	21.0	31	23.3	3,028	16.2
Middle	21.0	18.0	34	25.6	4,371	23.5
Upper	40.3	21.9	51	38.3	9,661	51.8
Not Available	0.0	24.0	9	6.8	1,002	5.4
Totals	**100.0**	**100.0**	**133**	**100.0**	**18,635**	**100.0**
Sources: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%.						

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Better Banks demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities, then compared the bank's level of community development activity to other intermediate small SSIs operating in and around the assessment area that were also evaluated for CRA purposes during the current evaluation period. These five institutions had total assets ranging from $343 million to $579 million.

Community Development Loans

Better Banks originated 37 community development loans totaling approximately $12.3 million during the evaluation period. This level of community development loans, by dollar volume, represents 4.6 percent of total loans and 2.7 percent of total assets as of June 30, 2023. Better Banks' level of community development lending, by dollar volume, compares reasonably to the five SSIs, which had community development loan-to-total loan ratios that ranged from 0.6 percent to 15.5 percent and averaged 5.7 percent.

Better Banks' community development loans primarily supported revitalization or stabilization and economic development, which were credit needs identified by examiners and community contacts. The following tables illustrate the bank's community development lending activity by year and purpose.

Community Development Lending										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2020 (June-December)	--	--	--	--	--	--	3	69	**3**	**69**
2021	--	--	2	8	4	3,863	9	867	**15**	**4,738**
2022	--	--	--	--	5	5,940	10	1,060	**15**	**7,000**
YTD 2023	--	--	--	--	1	130	3	366	**4**	**496**
Total	--	--	**2**	**8**	**10**	**9,933**	**25**	**2,362**	**37**	**12,303**
Source: Bank Records										

Notable examples of community development loans include:

- The bank provided loans for a manufacturing business located in a TIF District and helped promote economic development in the area. The financing provided included funds for operating expenses and new equipment that allowed the business to expand its operations. Additionally, a loan was extended to help retain employees during the pandemic.

- The bank provided operating funds to a small business located in a low-income geography. This loan helped the business purchase additional supplies and sustain operations while impacted by supply chain issues.

Qualified Investments

Better Banks made 68 qualified investments totaling approximately $1.3 million during the evaluation period. This level of qualified investments, by dollar volume, represents 0.85 percent of total securities and 0.28 percent of total assets as of June 30, 2023. All of the bank's qualified investments are comprised of numerous local school district bonds in which over 50 percent of the district's students qualify for free or reduced lunches. Additionally, the bank made donations totaling approximately $60,000 to organizations in the assessment area, such as local food pantries that support community services to low- and moderate- income people and organizations that support economic development.

Notable examples of qualified investments include:

- In addition to investing $750,000 in bonds to increase operating funds for a school where a majority of the students qualify for free or reduced lunches, the bank also provided financial support by purchasing various school supplies for the students throughout the review period.

- The bank routinely supports a local food bank through annual giving, as well as providing financial support for various fundraising events. During the review period, the bank provided over $11,000 in support to this organization.

The bank's level of qualified investments, by dollar volume, compares reasonably to the five SSIs, which had qualified investment-to-total securities ratios ranging from 0.02 percent to 4.8 percent that averaged 2.41 percent. The following table illustrates Better Banks' qualified investment activity by year and purpose.

Qualified Investments										
Activity Year	**Affordable Housing**		**Community Services**		**Economic Development**		**Revitalize or Stabilize**		**Totals**	
	#	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**	**#**	**$(000s)**
2020 (June-December)	--	--	--	--	--	--	--	--	--	--
2021	--	--	10	490	--	--	--	--	**10**	**490**
2022	--	--	5	750	--	--	--	--	**5**	**750**
YTD 2023	--	--	--	--	--	--	--	--	--	--
Subtotal	--	--	**15**	**1,240**	--	--	--	--	**15**	**1,240**
Qualified Grants & Donations	1	<1	46	55	6	5	--	--	53	60
Total	**1**	<1	**61**	**1,295**	**6**	**5**	**--**	**--**	**68**	**1,300**
Source: Bank Records										

Community Development Services

During the evaluation period, bank employees provided 35 instances of financial expertise or technical assistance to 13 different organizations in the bank's assessment area. This level of community development services compares favorably to five other SSIs, which had levels of community development services ranging from 25 to 48 qualifying services. The following table illustrates community development services by year and purpose.

Community Development Services					
Activity Year	**Affordable Housing**	**Community Services**	**Economic Development**	**Revitalize or Stabilize**	**Totals**
	#	**#**	**#**	**#**	**#**
2020 (June-December)	1	6	1	--	**8**
2021	1	6	1	--	**8**
2022	2	7	4	--	**13**
YTD 2023	1	3	2	--	**6**
Total	**5**	**22**	**8**	**--**	**35**
Source: Bank Records					

Notable examples of community development services include:

- Two bank employees serve as Board members providing financial expertise to a local organization that helps with food insecurity in the assessment area. The organization stores and distributes food to front-line non-profit agencies, such as food pantries, soup kitchens, homeless shelters, and churches for distribution within the community. Additionally, the organization provides aid during times of disaster and has a program for school-age children facing food instability that allows them to take home a bag of food every weekend during the school year. The organization has grown and has a national and international reach. The qualified services provided largely benefit the assessment area directly; however, some of the financial expertise provided is utilized to assist with achieving the organization's mission on a national and international level.

- A bank employee serves on the Fair Housing Committee for a local association of real estate professionals. This committee works to promote and support fair and affordable housing to their members and local communities through education and outreach.

Several alternative delivery channels are offered for retail banking services that provide access to all portions of the assessment area. These delivery systems include internet, mobile, and telephone banking, and utilize technology to provide 24-hour access to customer accounts from anywhere. Credit and debit cards are available and the bank is part of an extended ATM network. The bank also offers services such as cash management, merchant services, and remote deposit services for commercial clients. Additionally, Betters Banks has one office that is located in a moderate - income census tract in Fulton County.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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