



## **PUBLIC DISCLOSURE**

May 6, 2024

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Federal Savings Bank**  
Charter Number 716195

4000 W. Diversey Avenue  
Chicago, IL 60639

Office of the Comptroller of the Currency

Downers Grove Office  
2001 Butterfield Road, Suite 400  
Downers Grove, IL 60515

**NOTE:** 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, and should not 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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## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

**The Lending Test is rated: Satisfactory.**

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

The Lending Test and Community Development Test ratings are based on The Federal Savings Bank's (TFSB or bank) performance in the state of Illinois. The major factors that support this rating include:

- TFSB's distribution of loans to individuals of different income levels within its assessment area (AA) is reasonable.
- TFSB's distribution of loans among geographies of different income levels within its AA is excellent.
- TFSB's loan-to-deposit (LTD) ratio is more than reasonable.
- TFSB's combined community development (CD) loans, investments, and services exhibit adequate responsiveness to the CD needs in the bank's AA.

### Loan-to-Deposit Ratio

Considering TFSB's size and financial condition, and credit needs of its AA, its LTD ratio is more than reasonable. The bank's loan-to-deposit ratio averaged 117.5 percent over the past 13 quarters from December 31, 2020, through December 31, 2023. Over this period, the bank's quarterly loan-to-deposit ratio ranged from a low of 82.3 percent to a high of 144.5 percent.

We compared TFSB's average quarterly loan-to-deposit ratio to the ratios of four federal- and state-chartered banks headquartered in the bank's AA with similar mortgage banking strategies. The similarly situated banks ranged in asset size from \$266 million to \$4 billion and had a combined average quarterly loan-to-deposit ratio of 85.2 percent for the same period. TFSB's loan-to-deposit ratio was the highest in this group.

### Lending in Assessment Area

TFSB originated or purchased a substantial majority of its loans outside its AA. The bank only originated or purchased 11.1 percent of its loans inside its AA during the evaluation period. The bank's poor percentage of lending within its AA is reflective of its business strategy. The bank's business strategy is to originate residential mortgage loans and immediately sell them on the secondary market. The bank originates mortgage loans nationwide and sells mortgage loans (along with servicing rights) to various investors. Despite the bank's poor loan penetration inside its AA, it is an active competitor for mortgage loans. Based on aggregate mortgage data from all Home Mortgage Disclosure Act (HMDA) reporting institutions in the AA in 2021 and 2022, the bank ranked 29<sup>th</sup> and 26<sup>th</sup>, respectively, out of more than 730 mortgage lenders in the AA. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates that may be considered under the other performance criteria.

<b>Table D - Lending Inside and Outside of the Assessment Area 2021-2023</b>										
<b>Home Mortgage Loans</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans (000s)</b>				<b>Total \$ (000)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
2021	3,137	10.7	26,271	89.3	29,408	842,345	8.5	9,027,025	91.5	9,869,370
2022-2023	2,590	11.6	19,654	88.4	22,244	669,820	8.6	7,162,090	91.4	7,831,910
<b>Total</b>	<b>5,727</b>	<b>11.1</b>	<b>45,925</b>	<b>88.9</b>	<b>51,652</b>	<b>1,512,165</b>	<b>8.5</b>	<b>16,189,115</b>	<b>91.5</b>	<b>17,701,280</b>

*Source: 2021, 2022 and 2023 Home Mortgage Disclosure Act data.  
Note: Due to rounding, totals may not equal 100.0%.*

## Description of Institution

TFSB is a \$1.2 billion financial institution headquartered in Chicago, Illinois. The bank is a wholly owned subsidiary of National Bancorp Holdings, Inc. a one-bank holding company also located in Chicago. For CRA purposes, TFSB has one AA that includes all of Cook, DuPage, and Lake Counties in Illinois.

TFSB operates two full-service retail branches in Chicago and Lake Forest, and one loan production office in Oakbrook within the AA. In addition, the bank currently has 25 loan production offices (LPOs) located in Arizona, Colorado, Florida, Georgia, Indiana, Kansas, Maryland, Massachusetts, Missouri, New Jersey, New York, North Carolina, and Virginia. The bank has not opened or closed any branches during the evaluation period. However, it closed two LPOs in the AA and 14 LPOs in eight states outside the AA and opened two new LPOs outside the AA since the last evaluation. The bank does not have any deposit-taking Automated Teller Machines (ATMs).

As of December 31, 2023, TFSB's tier one capital totaled \$149.7 million, and its gross loan portfolio totaled \$939 million or 79.3 percent of total assets. The bank's primary loan product is 1-4 residential real estate loans, with an emphasis on Federal Housing Authority (FHA) and Veteran's Administration (VA) guaranteed loans. The loan portfolio mix as of December 31, 2023, was 95.7 percent residential real estate mortgage loans, 3.4 percent consumer loans, and 0.9 percent commercial loans.

The bank has been operating under a formal enforcement action since October 29, 2021, due to concerns related to risk management and consumer compliance. Refer to the Discriminatory and Other Illegal Credit Practices Review section of this Performance Evaluation for additional information related to violations of Section 5 of the Federal Trade Commission (FTC) Act. In addition, the bank's financial condition was adversely impacted by the interest rate environment during the evaluation period, which may have affected its ability to fully meet the credit needs of its AA. TFSB received a "Satisfactory" rating at its previous CRA performance evaluation, dated February 16, 2021.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

We evaluated TFSB's CRA performance using the Intermediate Small Bank CRA evaluation procedures, which include a Lending Test and a CD Test. The Lending Test evaluates the bank's record of meeting the credit needs of its AA through its lending activities. The CD Test evaluates the bank's responsiveness

to CD needs in its AA through qualified CD lending, investments, and services. No affiliate activity was included in this analysis.

The evaluation period for this review was from January 1, 2021, through December 31, 2023. Our conclusions regarding TFSB's lending performance during the evaluation period is based on the bank's home mortgage lending, as reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Register (LAR). Home mortgage loans are the bank's primary loan product and accounted for 95.7 percent of lending activity during the evaluation period.

For analysis purposes, we compared TFSB's lending performance with demographic data and HMDA aggregate data. Due to demographic changes between the 2015 American Community Survey (ACS) and the 2020 U.S. Census, we performed separate analyses for 2021 and 2022-2023 to evaluate geographic and borrower income distribution for the Lending Test. Performance in Tables O and P in Appendix D reflect data from both periods.

### **Selection of Areas for Full-Scope Review**

TFSB only has one AA, which is in the State of Illinois, and we completed a full-scope review of the AA. The community profile for the AA is provided under the Scope section of the State of Illinois rating. For the purposes of this evaluation, bank-delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Refer to table in Appendix A for more information on the scope of the review.

### **Ratings**

TFSB's overall rating is based on the state of Illinois rating.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) (March 29, 2024), in determining a national bank or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC found, during an examination in 2023, that TFSB had violated section 5 of the Federal Trade Commission Act due to statements made to potential customers by the bank's loan officers when discussing the bank's Veterans Affairs Interest Rate Reduction Refinance Loan (VA IRRRL) program. The consumers who received the communications at issue did not enter loan transactions, and the OCC did not identify quantifiable consumer harm in connection with these violations. The bank's management team and its board of directors have committed to addressing the violation and ensuring that the bank's employees do not engage in unfair or deceptive acts of practices (UDAP) when discussing the bank's VA IRRRL program with consumers going forward.

In addition, during an examination in 2021, the OCC identified one violation of 12 CFR 1026.23(a)(1), the Truth in Lending Act's provisions regarding the right of rescission. In 2020, the bank failed to provide a customer with the notice of the right of rescission as it was required to do.

After consideration of the nature, extent, and strength of the evidence of the practices; the extent to which institution had policies and procedures in place to prevent the practices; the extent to which the institution has taken or has committed to take corrective action, including voluntary corrective action resulting from self-assessment; and other relevant information, the CRA Performance Evaluation rating was not impacted by these findings.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Illinois

#### **CRA rating for the State of Illinois<sup>1</sup>: Satisfactory**

**The Lending Test is rated: Satisfactory.**

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

The major factors that support this rating include:

- TFSB's distribution of loans to individuals of different income levels within the AA is reasonable.
- TFSB's distribution of loans among geographies of different income levels within the AA is excellent.
- TFSB's combined community development (CD) loans, investments, and services exhibited adequate responsiveness to the CD needs in the AA.

### **Description of Institution's Operations in Illinois**

As of December 31, 2023, TFSB had two retail branches and three ATMs in Illinois. The bank's main branch is located in Chicago, Illinois, and a second branch is located in Lake Forest, Illinois. Two of the bank's three ATMs are located at these branches, and the other ATM is located at the bank's LPO in Oak Brook, Illinois. None of the ATMs take deposits. The AA includes all of Cook, DuPage, and Lake Counties in Illinois. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. During the 2021 evaluation period, the AA had 1,689 census tracts (CTs), of which 15.7 percent were low-income, 24.9 percent were moderate-income, 26.2 percent were middle-income, 32.2 percent were upper-income, and 0.9 percent had no income level designated. During the 2022-2023 evaluation period, the AA had 1,711 CTs, of which 13.7 percent were low-income, 23.1 percent were moderate-income, 30.0 percent were middle-income, 32.0 percent were upper-income, and 1.2 percent had no income level designated.

Competition for deposits in the AA is strong. According to the June 30, 2023, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, TFSB's deposits in the AA totaled \$592.7 million, and the bank had 0.1 percent of the AA's total market share. TFSB ranked 49<sup>th</sup> out of 114 deposit-taking institutions in the AA. The largest competitors for deposits in the AA were JP Morgan Chase N.A. with a 22.9 percent market share, BMO Harris N.A. with a 17.5 percent market share, and Bank of America N.A. with a 9.8 percent market share. Collectively, these three institutions had 50.2 percent of the deposits in the AA.

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<sup>1</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA or CSA.

### Employment and Economic Factors

According to the Bureau of Labor Statistics, as of December 31, 2023, the unemployment rate in DuPage County (3.1 percent) was lower than both the state (4.2 percent) and national (3.4 percent) unemployment rates, while the unemployment rate in Lake County (5.1 percent) was higher. The unemployment rate in Cook County (4.0 percent) was lower than the state rate, but higher than the national unemployment rate. Industries driving the local economy in Cook County include healthcare and social assistance, professional, scientific, and technical services, and education services. Industries driving the local economy in DuPage County include healthcare and social assistance, manufacturing, and professional, scientific, and technical services. Lake County industries include manufacturing, retail, and healthcare and social assistance.

### Housing

According to the 2020 U.S. Census, there were 2.8 million housing units in the AA, with 55.7 percent owner-occupied, 35.8 percent rentals, and 8.5 percent vacant. The median monthly gross rent was \$1,247. The median age of housing units in the AA was 59 years with a median value of \$294,288. However, the median age of housing is significantly older in low- and moderate-income CTs at 73 years and 64 years, respectively. Older homes often cost more to maintain, frequently required significant repairs to meet building code requirements, and are typically less energy efficient. These factors add to the overall cost of homeownership and can have a negative impact on home affordability for low- and moderate-income families.

Based on data from the 2020 U.S. Census covering 2022-2023, low-income families earned less than \$50,591 and moderate-income families earned less than \$81,522 per year. One method used to determine housing affordability assumes a maximum monthly principal and interest payment of 30.0 percent (*a reasonable debt-to-income ratio*) of the applicant's monthly income, resulting in a maximum monthly mortgage payment of \$1,267 for low-income borrowers and \$2,038 for moderate-income borrowers. Assuming a 30-year mortgage with a 5.0 percent fixed interest rate, and excluding a down payment, homeowner's insurance, real estate taxes, or additional monthly expenses, the monthly mortgage payment for a home at the AA median housing value would have been \$1,580. Based on this data, we concluded that a low-income family would struggle to qualify for a home mortgage based on the median family income and median home value in the AA from 2022 through 2023. Some moderate-income families may struggle to qualify as well.

Based on data from the 2015 ACS covering 2021, low-income families earned less than \$41,383 and moderate-income families earned less than \$66,213 per year. Using 30.0 percent as a reasonable debt-to-income ratio, we calculated a maximum monthly mortgage payment of \$1,034 for low-income borrowers and \$1,655 for moderate-income borrowers. Assuming a 30-year mortgage with a 5.0 percent fixed interest rate, and excluding a down payment, homeowner's insurance, real estate taxes, or additional monthly expenses, the monthly mortgage payment for a home at the AA median housing value of \$254,761 would have been \$1,368. Based on this data, we concluded that home mortgage loans were not affordable to low-income borrowers in the AA, with some moderate-income borrowers likely to struggle as well.



Community Contact

We reviewed three community contacts with affordable housing organizations in the AA over the evaluation period to help identify local housing needs. According to the contacts, affordable housing is a strong need in the community. Opportunities for banks in the area include providing programs and products that meet the needs of the low- and moderate-income communities, such as partnering through the Federal Home Loan Bank or similar organizations and providing financial education. The community contact also stated that the cost to acquire and improve a home does not match the fair market value as determined by an appraiser, so there is a need to finance the appraisal gap (including more down payment assistance or similar programs to assist potential buyers acquire affordable housing).

**Chicago-Naperville-Elgin, IL-IN MSA**

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: MSA 2021</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	1,689	15.7	24.9	26.2	32.2	0.9
Population by Geography	6,869,703	11.7	25.5	29.3	33.2	0.3
Housing Units by Geography	2,794,794	11.8	24.1	28.9	34.8	0.4
Owner-Occupied Units by Geography	1,535,778	5.3	19.7	32.9	41.9	0.2
Occupied Rental Units by Geography	987,690	18.5	29.7	24.7	26.5	0.7
Vacant Units by Geography	271,326	24.5	28.5	22.1	24.3	0.5
Businesses by Geography	633,570	6.7	17.9	26.6	48.2	0.5
Farms by Geography	7,436	5.1	19.1	31.7	44.0	0.1
Family Distribution by Income Level	1,603,724	25.0	16.4	17.9	40.6	0.0
Household Distribution by Income Level	2,523,468	26.8	15.5	16.7	41.0	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Evanston, IL		\$75,024	Median Housing Value			\$254,761
Median Family Income MSA - 29404 Lake County-Kenosha County, IL-WI		\$87,137	Median Gross Rent			\$1,053
			Families Below Poverty Level			11.4%
Source: 2015 ACS and 2021 D&B data.						
Note: Due to rounding, totals may not equal 100.0%.						
(*) The NA category consists of geographies that have not been assigned an income classification.						

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: MSA 2022-2023</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	1,711	13.7	23.1	30.0	32.0	1.2
Population by Geography	6,922,760	10.7	23.3	32.5	33.0	0.6
Housing Units by Geography	2,824,391	10.9	22.3	32.1	34.2	0.5
Owner-Occupied Units by Geography	1,574,131	5.6	18.9	35.6	39.6	0.2
Occupied Rental Units by Geography	1,010,341	16.6	27.0	28.4	27.1	0.9
Vacant Units by Geography	239,919	21.2	25.1	24.7	28.2	0.8
Businesses by Geography	914,050	6.7	17.2	30.0	45.6	0.6
Farms by Geography	10,119	6.1	19.6	33.1	40.9	0.3
Family Distribution by Income Level	1,604,519	24.4	16.4	18.5	40.6	0.0
Household Distribution by Income Level	2,584,472	26.6	15.3	16.5	41.6	0.0
Median Family Income MSA - 16984 Chicago-Naperville-Evanston, IL MD		\$92,622	Median Housing Value			\$294,288
Median Family Income MSA - 29404 Lake County-Kenosha County, IL-WI MD		\$105,876	Median Gross Rent			\$1,247
			Families Below Poverty Level			8.7%
<i>Source: 2020 U.S. Census and 2023 D&amp;B data.                      Note: Due to rounding, totals may not equal 100.0%.                      (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

## Scope of Evaluation in Illinois

TFSB has two AAs, both of which are located within the Chicago-Naperville-Elgin, IL-IN MSA<sup>2</sup>, in the state of Illinois. One AA includes all of Cook and DuPage counties, which is part of the Chicago-Naperville-Schaumburg, IL Metropolitan Division (MD). The other AA includes all of Lake County, which is in the Lake County, IL MD. Because both AAs are part of the same MSA, we combined the two AAs for analysis purposes and performed a full-scope review of this AA. Refer to Appendix A for more information.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ILLINOIS

### LENDING TEST

TFSB’s performance under the Lending Test in Illinois is rated Satisfactory.

### Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the TFSB’s lending performance in the state of Illinois is reasonable.

## **Distribution of Loans by Income Level of the Geography**

TFSB exhibits excellent geographic distribution of loans in the state of Illinois.

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

Refer to Table O in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

During the 2021 evaluation period, the bank's percentage of home mortgage loans in both low- and moderate-income CTs exceeded the percentage of the AA's owner-occupied housing units located in low- and moderate-income CTs, and significantly exceeded the percentage of aggregate home mortgage lending that occurred in low- and moderate-income CTs.

During the 2022-2023 evaluation period, the bank's percentage of home mortgage loans in low-income CTs significantly exceeded both the percentage of the AA's owner-occupied housing units located in low-income CTs and the percentage of aggregate home mortgage lending that occurred in low-income CTs. The bank's percentage of home mortgage loans in moderate-income CTs exceeded both the percentage of the AA's owner-occupied housing units located in moderate-income CTs and the percentage of aggregate home mortgage lending that occurred in moderate-income CTs.

### ***Lending Gap Analysis***

We did not identify any unexplained conspicuous lending gaps in the AA.

## **Distribution of Loans by Income Level of the Borrower**

TFSB exhibits reasonable distribution of loans to individuals of different income levels, given the product lines offered by the bank.

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

Refer to Table P in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

During both the 2021 and the 2022-2023 evaluation periods, TFSB's distribution of home mortgage loans to families of different income levels was reasonable considering performance context. While the bank's percentage of home mortgage loans originated to low-income borrowers was significantly below the percentage of the AA's families that were low-income, it significantly exceeded the percentage of aggregate lending to low-income borrowers which was similarly much lower than demographics. The bank's percentage of home mortgage loans originated to moderate-income borrowers significantly exceeded both the percentage of the AA's families that were moderate-income and the percentage of aggregate lending that occurred to moderate-income borrowers. Examiners took into consideration the high cost of housing for low-income families, which could make it difficult to qualify for home mortgage products without flexible terms and/or reduced closing costs. Low-income families represented 25.0 percent of AA families in 2021 and 24.4 percent of AA families in 2022-2023. The percentage of families living below the poverty level was also high at 11.4 percent in 2021 and 8.7 percent in 2022-2023.

**Responses to Complaints**

TFSB did not receive any complaints regarding its CRA performance during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

TFSB’s performance under the Community Development Test in the state of Illinois is rated Satisfactory.

**Conclusions for Area Receiving a Full-Scope Review**

Based on a full-scope review, TFSB exhibits adequate responsiveness to CD needs in the state through qualified loans, investments, and services, as appropriate, considering the bank’s capacity and the need for and availability of such opportunities for community development in the bank’s AA. The bank’s CD loans and investments in the AA totaled \$5.6 million or 3.8 percent of capital. CD services totaled 213 hours centered in providing financial education and serving in leadership roles at organizations providing community services or economic development to the low- and moderate-income individuals and geographies in the AA.

**Number and Amount of Community Development Loans**

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate TFSB’s level of CD lending.

<b>Community Development Loans 2021-2023</b>				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
MSA	101	100.0	505	100.0

During the evaluation period, the bank originated 101 qualified CD loans totaling \$505,000 in the AA, which represented 0.3 percent of tier 1 capital. All CD loans were downpayment assistance loans made under the bank’s TFSB Community Second program for low- and moderate-income borrowers. Under this program, borrowers receive a \$5,000 no-interest loan towards downpayment and closing costs assistance, which is forgivable after five years of primary owner occupancy. The bank stopped offering the TFSB Community Second program in 2023, and instead began referring customers to down-payment assistance programs offered by others. Affordable housing and downpayment assistance were identified credit needs in the AA.

## Number and Amount of Qualified Investments

Qualified Investments 2021-2023										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
MSA	1	5,143	2	2.5	3	100.0	5,145.5	100.0	0	0
Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date. ** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.										

Qualified CD donations and prior period investments totaled \$5.1 million or 3.4 percent of tier 1 capital. The Qualified Investment Table (shown above) sets forth the information and data used to evaluate the bank's level of qualified CD investments. This table includes all CD investments, including prior period investments that remained outstanding at the end of the evaluation period.

- The bank retained one prior period investment totaling \$5.1 million. This investment is a mortgage-backed security purchased from Fannie Mae that consists of mortgages to low- and moderate-income individuals.
- TFSB made a \$1,500 donation during the evaluation period to an organization dedicated to helping Hispanic homeowners maintain sustainable homeownership using lending programs designed to help low- and moderate-income homeowners maintain affordable housing.
- TFSB made a \$1,000 donation during the evaluation period to a local food pantry which provides food and resources to low- and moderate-income individuals.

## Extent to Which the Bank Provides Community Development Services

Bank personnel volunteered by providing financial/technical expertise for organizations that focus on economic development and promoting community service and literacy to low- and moderate-income individuals and families. Bank personnel provided 213 hours of qualified CD services during the evaluation period. Bank personnel also completed seven hours of qualified CD services outside the AA by providing financial education to first-time homebuyers and making a presentation at a financial workshop for low- and moderate-income teenagers.

- Eight TFSB employees provided 51 hours of financial education focused on "Money Matters" financial literacy seminars and first-time homeownership programs through the Chicago Housing Authority and community organizations primarily located in low- and moderate-income geographies and/or to low- and moderate-income families. In addition, six employees provided 7 hours of similar financial education outside the AA.
- A TFSB employee provided five hours of service on the finance committee of a library organization located in a moderate-income geography. The library also offers free Internet access, notary services, community classes and movies, passport services, and a Museum Adventure Pass program that provides free or discounted passes to area museums.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	01/01/2021 to 12/31/2023	
<b>Bank Products Reviewed:</b>	Home mortgage loans Community development loans, investments, and services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
NA	NA	NA
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
Chicago-Naperville-Elgin, IL-IN MSA	Full-Scope	Full Counties: Cook, DuPage, and Lake Counties in Illinois

## Appendix B: Summary of MMSA and State Ratings

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<b>Overall Bank:</b>	<b>Lending Test Rating*</b>	<b>CD Test Rating</b>	<b>Overall Bank/State/Multistate Rating</b>
The Federal Savings Bank	Satisfactory	Satisfactory	Satisfactory
<b>State:</b>			
Illinois	Satisfactory	Satisfactory	Satisfactory

*(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.*

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances. Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including low- and moderate-income (LMI) areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**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, other secured consumer loans, and other unsecured consumer loans.



**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, which 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).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the U.S. Census Bureau in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**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.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low-Income Geography:** A census tract with a median family income that is less than 50 percent of the area median income.

**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 state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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 percent 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 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**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 qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical 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 multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

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

**Small Loan(s) to Farm(s):** 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 or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

**Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2021	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	# of Bank Loans	\$(000s) Bank Loans	% of Bank Total	Overall Market (#)	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	
MSA	3,137	842,345	100.0	345,948	5.3	7.4	4.0	19.7	23.7	15.3	32.9	36.0	30.7	41.9	32.7	49.9	0.2	0.2	0.2	
<i>Source: 2015 ACS, 01/01/2021 - 12/31/2021 bank data, 2021 HMDA aggregate data.</i> <i>Note: Due to rounding, totals may not equal 100.0%.</i>																				

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2022-2023	
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	# of Bank Loans	\$(000s) Bank Loans	% of Bank Total	Overall Market (#)	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	% of Owner-Occupied Housing Units	% of Bank Loans	% of Aggregate Lending	
MSA	2,590	669,820	100.0	166,514	5.6	10.4	5.5	18.9	26.3	17.6	35.6	39.7	34.2	39.6	23.2	42.4	0.2	0.3	0.3	
<i>Source: 2020 U.S. Census, 01/01/2022 - 12/31/2023 bank data, 2022 HMDA aggregate data.</i> <i>Note: Due to rounding, totals may not equal 100.0%.</i>																				

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2021		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers				
	# of Bank Loans	\$(000s) Bank Loans	% of Bank Total	Overall Market (#)	% of AA Families	% of Bank Loans	% of Aggregate Lending	% of AA Families	% of Bank Loans	% of Aggregate Lending	% of AA Families	% of Bank Loans	% of Aggregate Lending	% of AA Families	% of Bank Loans	% of Aggregate Lending	% of AA Families	% of Bank Loans	% of Aggregate Lending		
MSA	3,137	842,345	100.0	345,948	25.0	9.5	6.0	16.4	30.1	15.3	17.9	27.5	20.2	40.6	28.7	42.7	0.0	4.2	15.7		
<i>Source: 2015 ACS, 01/01/2021 - 12/31/2021 bank data, 2021 HMDA aggregate data.</i> <i>Note: Due to rounding, totals may not equal 100.0%.</i>																					

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																			2022-2023		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers				
	# of Bank Loans	\$(000s) Bank Loans	% of Bank Total	Overall Market (#)	% of AA Families	% of Bank Loans	% of Aggregate Lending	% of AA Families	% of Bank Loans	% of Aggregate Lending	% of AA Families	% of Bank Loans	% of Aggregate Lending	% of AA Families	% of Bank Loans	% of Aggregate Lending	% of AA Families	% of Bank Loans	% of Aggregate Lending		
MSA	1,528	400,960	100.0	166,514	24.4	14.6	8.9	16.4	37.1	21.9	18.5	27.1	20.6	40.6	20.6	31.3	0.0	0.6	17.3		
<i>Source: 2020 U.S. Census, 01/01/2022 - 12/31/2023 bank data, 2022 HMDA aggregate data.</i> <i>Note: Due to rounding, totals may not equal 100.0%.</i>																					