

# **PUBLIC DISCLOSURE**

January 21, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Mercantile Bank  
Certificate Number: 34598

310 Leonard Street Northwest  
Grand Rapids, Michigan 49504

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

300 South Riverside Plaza, Suite 1700  
Chicago, Illinois 60606

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

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREAS.....	4
SCOPE OF EVALUATION .....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	7
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	18
GRAND RAPIDS-KENTWOOD, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full-Scope Review .....	18
DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE GRAND RAPIDS- KENTWOOD, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA.....	18
CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ASSESSMENT AREA .....	21
MICHIGAN NON-METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full- Scope Review.....	31
DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MICHIGAN NON- METROPOLITAN STATISTICAL AREA ASSESSMENT AREA.....	31
CONCLUSIONS ON PERFORMANCE CRITERIA IN MICHIGAN NON-METROPOLITAN STATISTICAL AREA ASSESSMENT AREA.....	34
LANSING-EAST LANSING, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full-Scope Review .....	44
DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE LANSING-EAST LANSING, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA.....	44
CONCLUSIONS ON PERFORMANCE CRITERIA IN LANSING, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA.....	47
TRAVERSE CITY, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full-Scope Review .....	56
DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE TRAVERSE CITY, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA.....	56
CONCLUSIONS ON PERFORMANCE CRITERIA IN TRAVERSE CITY, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA.....	59
MIDLAND, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full- Scope Review.....	65
DESCRIPTION OF INSTITUTION’S OPERATIONS IN MIDLAND, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA.....	65
CONCLUSIONS ON PERFORMANCE CRITERIA IN MIDLAND, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA.....	68
OTHER ASSESSMENT AREAS – Limited-Scope Review.....	74
APPENDICES .....	88
LARGE BANK PERFORMANCE CRITERIA.....	88
SCOPE OF EVALUATION .....	90
GLOSSARY .....	91

## 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 areas (AAs), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		X
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			
*The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

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

- Lending levels reflect good responsiveness to AA credit needs.
- A high percentage of loans are made in the institution's AAs.
- The geographic distribution of loans reflects good penetration throughout the AAs.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes.
- The institution exhibits a good record of serving the credit needs of the most economically disadvantaged areas of its AAs, low-income individuals, and very small businesses, consistent with safe and sound banking practices.
- The institution is a leader in making community development loans.
- The institution makes extensive use of innovative or flexible lending practices in order to serve AA credit needs.

**The Investment Test is rated Outstanding.**

- The institution has an excellent level of qualified community development investments and donations, often in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits excellent responsiveness to credit and community development needs.
- The institution occasionally uses innovative or complex investments to support community development initiatives.

**The Service Test is rated High Satisfactory.**

- Delivery systems are accessible to essentially all portions of the institution's AAs.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.
- Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the AAs, particularly low- and moderate-income geographies or individuals.
- The institution is a leader in providing community development services.

## **DESCRIPTION OF INSTITUTION**

Mercantile Bank (Mercantile) is a commercial bank, headquartered in Grand Rapids, Michigan. The bank is wholly owned by Mercantile Bank Corporation, a one-bank holding company based in Grand Rapids. The holding company trades on the NASDAQ under the ticker symbol MBWM. The holding company and the bank own several subsidiaries; however, none of these offer credit products or services, and none were included in the scope of this evaluation. All the subsidiaries are headquartered in Michigan.

Mercantile received a "Satisfactory" rating at its previous FDIC CRA Performance Evaluation, dated September 13, 2021, based on Interagency Large Institution CRA Examination Procedures.

Mercantile operates 40 offices and three loan production offices (LPOs) in Michigan. Of the 40 offices, 27 now contain virtual banking machines (VBM's). During the evaluation period, Mercantile opened four branches and closed four branches. Refer to the Service Test portions of this evaluation for more information on these branch changes.

Mercantile offers a diverse array of deposit and loan products for retail and commercial customers. Loan products include commercial, residential, and consumer loans, with a focus on commercial and residential lending. The bank provides a variety of consumer deposit account services including numerous checking and savings accounts, certificates of deposit, and health savings accounts. Commercial deposit services also include numerous checking, savings, certificates of

deposit, health savings, and municipal deposit accounts. The bank offers treasury management services and a variety of card products including credit, debit, gift, reloadable, travel, and payroll cards. Alternative delivery services include internet and mobile banking, online bill pay, mobile deposit, mobile wallet, online money management, and person-to-person payments.

As of the September 30, 2024, Consolidated Reports of Condition and Income (Call Report), the bank's total assets were approximately \$5.9 billion. The bank's total asset size increased by approximately \$1.1 billion, or 23.8 percent, since the previous evaluation. The loan portfolio has increased \$1.3 billion, or 39.9 percent, over the same period. Mercantile's deposit base is approximately \$4.5 billion.

Commercial lending, including commercial real estate and commercial and industrial loans, makes up the largest percentage of the bank's loan portfolio at \$2.8 billion or roughly 62.5 percent. Residential lending, excluding multifamily residential lending, makes up the second largest lending category at \$889.1 million or roughly 19.4 percent. The following table provides the composition of the bank's loan portfolio by category.

<b>Loan Portfolio Distribution as of 09/30/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	545,116	11.9
Secured by Farmland	2,765	0.1
Secured by 1-4 Family Residential Properties	889,084	19.4
Secured by Multifamily (5 or more) Residential Properties	167,107	3.7
Secured by Nonfarm Nonresidential Properties	1,697,279	37.0
<b>Total Real Estate Loans</b>	<b>3,301,351</b>	<b>72.0</b>
Commercial and Industrial Loans	1,170,061	25.5
Agricultural Production and Other Loans to Farmers	1,805	<0.1
Consumer Loans	15,135	0.3
Obligations of State and Political Subdivisions in the U.S.	39,935	0.9
Other Loans	32,698	0.7
Lease Financing Receivable (net of unearned income)	21,293	0.5
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>4,582,278</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income, Due to rounding, totals may not equal 100.0%</i>		

Mercantile's loan portfolio composition changed slightly since the previous evaluation. Residential lending increased by \$444.1 million. Commercial loans also saw an increase of \$475.4 million. These increases resulted in nominal changes in the overall portfolio composition for these products. Examiners did not identify any financial, legal, or other impediments that would affect the bank's ability to meet AA credit needs.

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires financial institutions to define one or more AAs within which examiners will evaluate its CRA performance. Mercantile delineated eight AAs within the state of Michigan. These AAs include whole counties, do not arbitrarily exclude low- or moderate-income geographies, do not reflect illegal discrimination, and otherwise meet the requirements of the CRA regulations.

The following table presents a brief description of each AA. The number of locations shown in the table includes full-service branches, drive-thru locations, VBM-only locations, and LPOs. The Midland and Traverse City Metropolitan Statistical Area (MSA) AAs are new since the previous evaluation. Examiners provide a more detailed discussion of each AA, including economic and demographic data, competition, and community contact information, in the separate AA sections of this evaluation.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Locations
Grand Rapids-Kentwood, MI MSA (“Grand Rapids AA”)	Ionia, Kent, Montcalm, Ottawa	240	13
Non-MSA, MI (“Non-MSA AA”)	Allegan, Clare, Emmet, Gratiot, Isabella, Mecosta, Missaukee, Ogemaw, Oscoda, Roscommon, Van Buren, Wexford	157	19
Lansing-East Lansing, MI MSA (“Lansing AA”)	Clinton, Ingham	107	2
Kalamazoo-Portage, MI MSA (“Kalamazoo AA”)	Kalamazoo	68	3
Warren-Troy-Farmington Hills, MI Metropolitan Division (“Warren AA”)	Oakland	350	1
Saginaw, MI MSA (“Saginaw AA”)	Saginaw	61	3
Traverse City, MI MSA (“Traverse AA”)	Grand Traverse	24	1
Midland, MI MSA (“Midland MSA”)	Midland	21	1
<i>Source: Bank Data</i>			

## SCOPE OF EVALUATION

### **General Information**

This evaluation covers the period from the prior evaluation dated September 13, 2021, to the current evaluation dated January 21, 2024. Examiners utilized the Interagency Large Institution CRA Examination Procedures to evaluate Mercantile’s CRA performance. These procedures include the Lending Test, Investment Test, and Service Test. The Appendix includes a summary of the criteria used to assess each of these tests.

In arriving at overall performance conclusions, examiners weighed each rated area separately based on the proportion of the bank's operations and lending activity in each area. Based on the bank's operations, the Grand Rapids and Non-MSA AAs received the greatest weight on the overall rating and conclusions.

The following table details the distribution of bank offices, loans, and deposits among the eight AAs in 2025. The table also shows which areas received full-scope reviews and which received limited-scope reviews.

Assessment Areas by Number of Offices, Loans, Deposits, and Type of Review						
Assessment Area	# of Offices	Loans*		Deposits		Type of Review
		\$(000s)	%	\$(000s)	%	
Grand Rapids	13	397,180	56.8	2,174,559	52.2	Full Scope
Non-MSA	19	169,071	24.2	1,159,514	27.8	Full Scope
Lansing	2	33,862	4.8	348,496	8.4	Full Scope
Kalamazoo	3	42,677	6.1	309,152	7.4	Limited Scope
Warren	1	10,140	1.5	80,118	1.9	Limited Scope
Saginaw	3	29,787	4.2	80,083	1.9	Limited Scope
Traverse	1	10,900	1.5	11,547	0.3	Full Scope
Midland	1	6,253	0.9	50	0.0	Full Scope
<b>Total</b>	<b>43</b>	<b>699,870</b>	<b>100.0</b>	<b>4,163,519</b>	<b>100.0</b>	
<i>Source: Bank Records, FDIC Summary of Deposits (06/30/2024). *Loans include reported 2022-2024 home mortgage, small business, and small farm loan originations. Due to rounding, totals may not equal 100.0%</i>						

## **Activities Reviewed**

Mercantile's major product lines are commercial and residential loans. This conclusion considered the business strategy, and the number and dollar volume of loans originated during the evaluation period. As such, examiners evaluated the bank's small business and home mortgage loans. The number and dollar volume of home mortgage loan originations are greater during the evaluation period and received the greatest weight in this evaluation, followed by small business lending. Examiners also included small farm loans in this evaluation, but they received relatively no weight in the overall rating because small farm lending represents less than 0.2 percent of the bank's overall lending. Consequently, examiners only presented small farm loans in the AA concentration table and not in the overall lending performance analysis. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. While examiners presented the number and dollar volume of loans, they emphasized performance by number of loans, because it is a better indicator of the number of individuals and businesses served. Examiners did not analyze any other loan types, such as consumer loans, because they do not represent major product lines and would not provide material support for conclusions or ratings.

This review includes all home mortgage loans subject to Home Mortgage Disclosure Act (HMDA) reporting requirements in 2021, 2022, and 2023. Examiners did not present 2021 HMDA data for

the geographic distribution and borrower profile tables, because performance was consistent with 2022 and 2023. In 2021, the bank reported 3,948 home mortgage loans totaling \$1.0 billion; in 2022, the bank reported 2,341 home mortgage loans totaling \$676.2 million; and in 2023, the bank reported 1,677 home mortgage loans totaling \$575.7 million. The bank's home mortgage lending performance is measured against applicable aggregate lending data, as well as demographic and housing data obtained from the 2020 U.S. Census. Examiners placed more weight on comparisons to aggregate lending data as it provides a more accurate assessment of lending opportunities within the AAs.

This review also includes small business and small farm loan data collected pursuant to the CRA data collection reporting requirements in 2021, 2022, and 2023. Examiners did not present 2021 small business data for the geographic distribution and borrower profile tables, because performance was consistent with 2022 and 2023. Small business loan data included 2,528 loan originations totaling \$518.4 million in 2021, 1,378 loan originations totaling \$377.2 million in 2022, and 1,288 loan originations totaling \$346.9 million in 2023. Small farm loan data included 100 loan originations totaling \$6.5 million in 2021, 26 small farm loans totaling \$3.4 million in 2022, and 24 small farm loans totaling \$4.2 million in 2023. Examiners measured the bank's small business lending performance against D&B and aggregate small business lending data. As mentioned earlier, small farm loans are only presented in the AA concentration table and not in the overall lending performance analysis.

Examiners also reviewed community development loans, qualified investments, and community development services conducted since the prior CRA evaluation. Mercantile initiated or maintained these activities in the designated AAs, or they benefited a broader statewide or regional area, which includes the AAs. Examiners assessed Mercantile's community development lending and investment activities relative to various similarly situated banks using several quantitative performance measures. The Service Test included a review of delivery systems for providing retail banking services, the impact of any branch openings or closings during the evaluation period, and retail banking products and services targeted toward low- and moderate-income individuals or small businesses within the AA.

As part of the evaluation process, examiners contact third parties active in the AAs to assist in identifying the credit and community development needs and opportunities and determine whether local financial institutions are responsive to those needs. Examiners interviewed one contact during this evaluation and reviewed one previously conducted interview. Financial regulators interviewed the prior community contact within the last 12 months of the current evaluation date. Examiners included comments from the community contacts in the appropriate sections of this evaluation.



## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The Lending Test is rated High Satisfactory. Performance under the lending activity, AA concentration, geographic distribution, innovative and flexible lending, and community development lending criteria primarily support this rating.

#### **Lending Activity**

Lending levels reflect good responsiveness to AA credit needs. This conclusion is primarily supported by the bank's performance in the Grand Rapids and Non-MSA AAs. Please refer to the separate AA sections of this evaluation for additional information, including market share analysis.

#### **Assessment Area Concentration**

A high percentage of loans are made within the institution's AAs, by both number and dollar amount, as shown in the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2021	2,959	74.9	989	25.1	3,948	701,164,046	67.8	332,842,155	32.2	1,034,006,201
2022	1,789	76.4	552	23.6	2,341	467,061,564	69.1	209,165,704	30.9	676,227,268
2023	1,249	74.5	428	25.5	1,677	392,754,632	68.2	182,972,516	31.8	575,727,148
Subtotal	5,997	75.3	1,969	24.7	7,966	1,560,980,242	68.3	724,980,375	31.7	2,285,960,617
Small Business										
2021	2,213	87.5	315	12.5	2,528	440,018,000	84.9	78,400,000	15.1	518,418,000
2022	1,198	86.9	180	13.1	1,378	320,790,000	85.0	56,401,000	15.0	377,191,000
2023	1,119	86.9	169	13.1	1,288	294,269,000	84.8	52,629,000	15.2	346,898,000
Subtotal	4,530	87.2	664	12.8	5,194	1,055,077,000	84.9	187,430,000	15.1	1,242,507,000
Small Farm										
2021	92	92.0	8	8.0	100	6,061,000	93.1	447,000	6.9	6,508,000
2022	25	96.2	1	3.8	26	2,941,000	87.4	425,000	12.6	3,366,000
2023	24	100.0	0	0.0	24	4,230,000	100.0	0	0.0	4,230,000
Subtotal	141	94.0	9	6.0	150	13,232,000	93.8	872,000	6.2	14,104,000
Total	10,668	80.2	2,642	19.8	13,310	2,629,289,242	74.2	913,282,375	25.8	3,542,571,617
Source: Bank Data Due to rounding, totals may not equal 100.0% Dollar amounts for home mortgage, small business and small farm loans are multiplied by 1000.										

### **Geographic Distribution**

Overall, the geographic distribution of loans reflects good penetration throughout the AAs. Good performance in the two most heavily weighted of the five full-scope AAs analyzed supports this conclusion. Examiners present the bank's performance under this criterion in detail for each AA later in this evaluation.

### **Borrower Profile**

Overall, the distribution of borrowers reflects adequate penetration among borrowers of different income levels and businesses of different sizes. This conclusion is supported by adequate performance in all AAs. Examiners present the bank's performance under this criterion in detail for each AA later in this evaluation.

### **Innovative or Flexible Lending Practices**

The institution makes extensive use of innovative or flexible lending practices in order to serve AA credit needs of low- and moderate-income borrowers and small businesses.

Flexible home mortgage loan products offered by the bank include loans insured by the Federal Housing Administration (FHA), U.S. Department of Veterans Affairs (VA), and U.S. Department of Agriculture (USDA). These government-sponsored loan programs help low- and moderate-income borrowers achieve home ownership by offering flexible underwriting standards, competitive rates, and low-down payments.

Many of the programs featuring these characteristics are provided through federal or state governments, although Mercantile developed three programs internally that are new since the prior evaluation. Lending programs utilized by the bank include the following:

- ***Credit Builder*** – A bank developed certificate of deposit-secured loan program that assists eligible customers to build or reestablish credit. Loans are in amounts of \$500 or \$1,000.
- ***FHA Loans*** – Federal program that provides flexible terms and underwriting criteria for home mortgage loans to qualified individuals and families.
- ***Federal Home Loan Bank of Indianapolis (FHLBI)*** – Grant programs designed to address the homeownership needs of families throughout the life cycle of homeownership. Mercantile participated in the Homeownership Opportunities Program (HOP), which helps first-time homebuyers with down payment assistance, and the Neighborhood Impact Program (NIP), which assists income-eligible homeowners with repairs.
- ***Freddie Mac Home Possible*** – This home mortgage program offers various flexibilities to assist low- and moderate-income borrowers attain homeownership. The program includes options for low-down payments, reduced mortgage insurance coverage levels, closing cost funding options, and flexible underwriting standards.
- ***Michigan State Housing Development Authority (MSHDA) Loans*** – State-run program that offers down payment support for first-time homebuyers with incomes below certain limits.
- ***USDA Rural Development (RD) Loans*** – Federal program that allows eligible rural homebuyers to purchase a home with no down payment and low interest rates.
- ***U.S. Small Business Administration (SBA) Loans*** – Federal program that allows for loans with flexible terms to small businesses that may not qualify for traditional financing. Mercantile offered SBA 504 and SBA Express loans during the review period.

- **USDA Loans** – Federal program is a loan guarantee program that is designed to assist credit-worthy rural businesses obtain needed credit that benefits from better pricing and terms than can be secured with conventional loans.
- **VA Loans** – Home loan programs with lower credit and no down payment options for eligible borrowers who are service members or veterans.
- **The Ohio Housing Finance Agency (OHFA)** – While outside of the AA, OHFA provides a Housing Tax Credit program in the form of gap financing for Housing Tax Credit developments.

Innovative or Flexible Lending Programs – Mercantile Bank Total										
Type of Program	2021*		2022		2023		2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
FHA	18	3,110	70	13,284	94	19,671	74	17,454	256	53,519
Home Possible	35	4,518	56	6,657	140	22,565	174	27,856	405	61,596
Home Ready	-	-	-	-	-	-	31	6,810	31	6,810
RD	2	186	6	950	3	602	3	477	14	2,215
MSHDA	6	766	35	4,678	36	4,744	60	8,266	137	18,454
Secured Credit Card (CC)	8	4	39	41	63	47	65	53	175	145
SBA504	15	21,028	12	30,160	4	12,372	8	10,747	39	74,307
SBA 7A	-	-	2	1,663	-	-	-	-	2	1,663
OHFA	-	-	-	-	2	376			2	376
SBA Express	-	-	2	436	-	-	-	-	2	436
Credit Builder	3	3	27	22	20	14	22	15	72	54
<b>Totals</b>	<b>87</b>	<b>29,615</b>	<b>249</b>	<b>57,891</b>	<b>362</b>	<b>60,391</b>	<b>437</b>	<b>71,678</b>	<b>1,135</b>	<b>219,575</b>
Source: Bank Data, *09/13/2021-12/31/2021										

In addition to the loans above, Mercantile has established partnerships with approximately 10 organizations to work in tandem in identifying and referring individuals and families to appropriate resources related to affordable homeownership, down payment assistance, and financial education classes. Within the FHLBI products, the bank facilitated grants in conjunction with home loans. The bank provided down payment assistance through HOP and HomeBoost for 22 loans, totaling assistance of \$3.2 million. Similarly, the bank provided 62 NIP grants totaling \$627,681 in conjunction with loans to assist eligible borrowers in completing home repairs and improvements. Mercantile also developed the Extra Credit closing cost program, which aids borrowers in covering closing costs for their home purchase, assisting 478 borrowers over the course of the review period. The program provides up to \$2,500 in closing cost benefits to eligible borrowers.

Mercantile also provided 62 loan modifications during the review period. The loan modifications assisted borrowers with changes in payments or amortization, deferral of interest, and extensions of maturity.

## **Community Development Loans**

Mercantile is a leader in making community development loans within its AAs. The bank originated 256 community development loans totaling over \$1.0 billion during the evaluation period, with an additional 34 loans totaling \$164.5 million outside the AAs but benefiting the greater statewide or regional area. As the bank met the community development needs within the AAs, examiners also considered these loans. At the previous evaluation, examiners included SBA Paycheck Protection Program (PPP) lending in the bank's community development lending analysis. Examiners removed PPP lending from the previous evaluation's total community development lending when comparing the bank's current performance, as the PPP ended during the review period. Therefore, this evaluation's activity represents a significant increase from the previous evaluation when the bank originated 190 loans totaling \$503.5 million. Qualified community development lending represents 25.5 percent of total loans and 19.9 percent of total assets. This performance significantly exceeds the performance of four similarly situated banks which had community development loan ratios ranging from 1.4 percent to 13.7 percent of total loans and from 1.1 to 9.9 percent of total assets.

Mercantile originated community development loans in most of its AAs, generally commensurate with the overall activity in each area. Examiners placed the most weight on the Grand Rapids and Non-MSA AAs as previously mentioned. As detailed in the following table, the community development loans met the needs of the bank's AAs and included loans for affordable housing, community service, economic development, and to revitalize and stabilize low and moderate-income areas and distressed and underserved middle-income geographies.

<b>Community Development Lending – Overall</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Grand Rapids	14	48,879	30	39,547	83	396,511	17	62,090	144	547,028
Non-MSA, MI	1	1,816	11	14,700	35	218,485	10	23,736	57	258,737
Kalamazoo	1	10,500	1	100	10	26,780	5	18,886	17	56,266
Lansing	2	8,277	1	3,599	9	21,633	2	13,750	14	47,259
Saginaw	-	-	-	-	-	-	-	-	-	-
Troy	-	-	-	-	12	44,106	10	36,536	22	80,642
Traverse	1	8,516	-	-	-	-	-	-	1	8,516
Midland	-	-	-	-	-	-	1	4,300	1	4,300
<b>Subtotal</b>	<b>19</b>	<b>77,988</b>	<b>43</b>	<b>57,946</b>	<b>149</b>	<b>707,516</b>	<b>45</b>	<b>159,298</b>	<b>256</b>	<b>1,002,748</b>
Statewide/Regional Activities	5	4,376	1	1,667	10	54,988	18	103,515	34	164,546
<b>Total</b>	<b>24</b>	<b>82,364</b>	<b>44</b>	<b>59,613</b>	<b>159</b>	<b>762,503</b>	<b>63</b>	<b>262,813</b>	<b>290</b>	<b>1,167,294</b>
<i>Source: Bank Data</i>										

Community Development Lending – Overall										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	3	2,627	1	125	5	25,534	-	-	9	28,286
2022	8	19,774	18	32,107	40	190,017	16	67,977	82	309,875
2023	8	39,297	14	12,918	58	272,315	23	71,728	103	396,258
2024	5	20,666	11	14,464	56	274,637	24	123,108	96	432,874
<b>Total</b>	<b>24</b>	<b>82,364</b>	<b>44</b>	<b>59,614</b>	<b>159</b>	<b>762,503</b>	<b>63</b>	<b>262,813</b>	<b>290</b>	<b>1,167,294</b>
<i>Source: Bank Data, *09/14/2021-12/31/2024</i>										

Notable examples of community development loans originated inside the bank’s AAs include the following:

- \$10.5 million loan to fund an affordable housing project in Kalamazoo, Michigan with 65 units for low- and moderate-income senior citizens.
- \$3.8 million loan to refinance three commercial retail developments in a distressed income geography, which retains the businesses and jobs in the area.
- \$1.0 million loan to fund the Senior Housing Crime Prevention Foundation through an investment in the CRA Qualified Investment Fund. The foundation operates the senior Crimestoppers, a nationwide crime prevention program educating and safeguarding against elder abuse and neglect.

## INVESTMENT TEST

The Investment Test rating is Outstanding.” An excellent overall level of investment and grant activity across the AAs supports this rating.

### Investment and Grant Activity

Mercantile has an excellent level of qualified community development investments and donations, often in a leadership position, particularly those that are not routinely provided by private investors. The bank made or maintained 199 qualified community development investments totaling \$76.1 million during the evaluation period. The bank also made 282 qualified community development donations totaling \$1.4 million. This activity represents a decline from the previous evaluation, when the bank had 141 investments totaling \$89.0 million and 335 donations totaling \$2.1 million. Qualified community development investments and donations represent 11.0 percent of total securities and 1.3 percent of total assets. This performance exceeds the performance of three of the four similarly situated banks whose qualified investment and donation ratios ranged from 4.5 percent to 10.0 percent of total securities and from 0.6 percent to 2.5 percent of total assets.

Mercantile made and maintained community development investments in all its AAs, except Midland, which is a new AA with one branch. The bank’s investments and donations supported all four community development categories, with the largest dollar volume of investments in

community services and affordable housing initiatives. In addition, the highest volume of investments occurred within the Grand Rapids and Non-MSA AAs.

Since Mercantile addressed needs within its AAs, examiners also included investments and donations totaling approximately \$37.0 million that benefitted broader statewide and regional areas in the table below. Refer to the separate AA sections of this evaluation for more information.

<b>Qualified Investments and Donations</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	25	7,318	50	17,572	9	3,756	11	4,392	<b>95</b>	<b>33,038</b>
2021(Partial)	3	3,046	1	331	2	348	2	654	<b>8</b>	<b>4,379</b>
2022	-	-	40	16,974	4	2,118	8	3,194	<b>52</b>	<b>22,286</b>
2023	1	450	13	4,051	3	2,406	-	-	<b>17</b>	<b>6,907</b>
2024	6	3,027	14	4,790	7	1,671	-	-	<b>27</b>	<b>9,488</b>
<b>Subtotal</b>	<b>35</b>	<b>13,841</b>	<b>118</b>	<b>43,718</b>	<b>25</b>	<b>10,299</b>	<b>21</b>	<b>8,240</b>	<b>199</b>	<b>76,098</b>
Qualified Grants & Donations	52	274	197	880	30	227	3	10	<b>282</b>	<b>1,391</b>
<b>Total</b>	<b>87</b>	<b>14,115</b>	<b>315</b>	<b>44,598</b>	<b>55</b>	<b>10,526</b>	<b>24</b>	<b>8,250</b>	<b>481</b>	<b>77,489</b>
<i>Source: Bank Data, 09/14/2021-12/31/2024</i>										

As detailed in the following table, the bank's activity by assessment area is generally consistent with overall operations in each area.

Qualified Investments by Assessment Area – Overall										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Grand Rapids	10	3,737	6	2,737	8	3,734	-	-	24	10,208
Non-MSA, MI	1	38	22	8,377	10	2,480	-	-	33	10,895
Kalamazoo	3	1,039	6	1,648	-	-	-	-	9	2,687
Lansing	3	264	-	-	1	1,309	1	1,239	5	2,812
Saginaw	1	40	9	3,939	-	-	-	-	10	3,979
Troy	11	5,696	2	1,214	1	946	-	-	14	7,856
Traverse	-	-	4	664	-	-	-	-	4	664
Midland	-	-	-	-	-	-	-	-	-	-
Broader Statewide or Regional Area	6	3,027	69	25,139	5	1,830	20	7,001	100	36,997
<b>Subtotal</b>	<b>35</b>	<b>13,841</b>	<b>118</b>	<b>43,718</b>	<b>25</b>	<b>10,299</b>	<b>21</b>	<b>8,240</b>	<b>199</b>	<b>76,098</b>
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<b>Total</b>	<b>87</b>	<b>14,115</b>	<b>315</b>	<b>44,598</b>	<b>55</b>	<b>10,526</b>	<b>24</b>	<b>8,250</b>	<b>481</b>	<b>77,489</b>
<i>Source: Bank Data</i>										

Notable examples of community development investments made outside the bank's AAs include the following:

- Invested in a municipal school bond totaling \$1.0 million for a school district that primarily serves low- and moderate-income students.
- Purchased 18 new certificates of deposit from minority-owned institutions totaling \$4.5 million.
- Invested approximately \$1.1 million in mortgage-backed loan pools primarily consisting of mortgage loans to low- and moderate-income families.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits excellent responsiveness to credit and community development needs. Community contacts throughout the combined AAs continue to note a need for affordable housing and services for low- and moderate-income individuals, and the bank's investment and donation activities are consistent with those needs in the AAs.

### **Community Development Initiatives**

The institution occasionally uses innovative or complex investments to support community development initiatives. The institution primarily invests in municipal school bonds, certificates of deposit from minority-owned institutions, and low-income housing loan pools to support community development initiatives. The majority of initiatives focused on affordable housing and community services targeted to low- and moderate-income individuals.



## **SERVICE TEST**

Overall, examiners assigned a High Satisfactory rating under the Service Test.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the institution's AAs. In addition to its main branch, Mercantile operates 39 full-services branches, six drive-thru locations, two VBM-only locations, and three LPOs. In addition to brick-and-mortar locations, Mercantile offers a variety of alternative delivery methods to meet the diverse needs of its combined AAs. The bank offers internet banking with bill pay, telephone banking, mobile banking, mobile wallets, person-to-person payments, and remote deposit capture. Mercantile also allows customers to open consumer deposit accounts online, apply for mortgages online, and, new since the prior evaluation, apply for mortgages via the mobile app. Further, the bank has 27 VBMs (six locations have two VBMs) located at full-service branches and drive-thru locations. Effective December 1, 2022, Mercantile Bank reduced its foreign ATM fee reimbursement from four fees per card per month to one fee per card per month. On February 1, 2023, Mercantile Bank joined the MoneyPass Surcharge Free ATM network to expand surcharge-free ATM services for customers going from 25 ATMs at the previous evaluation to over 100. Since the previous evaluation, customers can now book and complete banking needs by appointment which can be scheduled online. The bank also added a "Let's Chat" feature through online banking.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.

During the review period, Mercantile closed four branch offices with the following census tract income designations: three middle-income; and one unknown. Of the census tracts, two were distressed or underserved middle-income geographies. Mercantile opened four branches with the following income designations: one location in an upper-income census tract; two locations in middle-income census tracts; and one in a moderate-income census tract.

Data presented by the bank related to continued maintenance, opening and closing of deposit accounts, as well as the volume of transactions following the closures mitigate the impact of these closures to some extent.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the AAs, particularly low- and moderate-income geographies or individuals. Apart from the drive-thru-only and VBM-only locations, all bank branch offices offer the same products and services, and most operate the same days of the week and same business hours. Hours and services are similar to

those offered by other banks in the AAs. While limited locations are not open on Saturdays, bank management completes transaction analyses to determine which locations will be open on Saturdays depending on demand.

In addition to its offering of traditional bank products, Mercantile also provides individual development accounts, which are matched savings accounts provided to income-eligible individuals and families to help build assets and achieve financial stability. In partnership with several community organizations, the bank opened 229 accounts since the previous evaluation. The bank also offers Merc Start Fresh and Merc Start Fresh Trio, certified checking accounts launched on October 12, 2022, of which 214 accounts were opened since the previous evaluation. Merc Start Fresh and Merc Start Fresh Trio offer no minimum balance requirements, dormant account fees, overdraft fees, or account closure fees. Account holders are assessed a monthly fee of \$4.95, and check writing is not permitted.

Lastly, the Michigan Department of Health and Human Services provides Electronic Benefit Transfer (bridge) cards to low-income families for the purchase of certain food products and to access cash benefits. Bridge card users can access the MoneyPass surcharge-free ATM network through Mercantile ATMs at no cost. ATMs increased from 25 ATMs at the previous evaluation to over 100 now. During the evaluation period, Mercantile ATMs processed 3,488 bridge card transactions.

### **Community Development Services**

Mercantile is a leader in providing community development services, conducting 1,179 services during the review period. Bank directors, officers, and employees provided a significant level of community development services to numerous organizations throughout the AAs, primarily comprised of financial education and technical assistance to community development organizations and programs. Numerous officers, directors, and employees hold positions as board members of organizations, which provide economic development, affordable housing, and community services within the AAs.

At the previous evaluation, the bank averaged approximately 265 qualified community development services in each year of the review period. The COVID-19 pandemic began in 2020, which limited the ability for the bank to deliver community development services due to economic shutdowns that occurred throughout the bank's AAs. The overall level of community development services provided were significantly above those of three of four similarly situated institutions. The following table illustrates the qualified community development services performed by bank personnel in the overall AA since the previous evaluation.

Community Development Services in Assessment Areas					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
<b>2021 (YTD)</b>	27	64	5	5	<b>101</b>
<b>2022</b>	93	160	18	7	<b>278</b>
<b>2023</b>	90	245	6	22	<b>363</b>
<b>2024</b>	82	335	1	19	<b>437</b>
<b>Total</b>	<b>292</b>	<b>804</b>	<b>30</b>	<b>53</b>	<b>1,179</b>
<i>Source: Bank Data</i>					

As the bank provided services meeting the needs of all AAs over the evaluation period, examiners also considered 13 community development services which occurred outside of the bank's AAs and consisted largely of financial literacy provided to individuals and groups. The following table illustrates the volume of community development service activities by AA since the previous evaluation.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Grand Rapids	109	445	25	28	607
Non-MSA	44	232	1	24	301
Kalamazoo	23	54	-	1	78
Troy	6	12	-	-	18
Saginaw	1	28	1	-	30
Lansing	109	33	3	-	145
Midland	-	-	-	-	-
Traverse	-	-	-	-	-
<b>TOTAL IN AA</b>	<b>292</b>	<b>804</b>	<b>30</b>	<b>53</b>	<b>1,179</b>
Outside of AA	-	13	-	-	13
<b>Total</b>	<b>292</b>	<b>817</b>	<b>30</b>	<b>53</b>	<b>1,192</b>
<i>Source: Bank Data</i>					

## 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.

### GRAND RAPIDS-KENTWOOD, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full-Scope Review

#### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE GRAND RAPIDS-KENTWOOD, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA

Mercantile's Grand Rapids AA consists of the entirety of Ionia, Kent, Ottawa, and Montcalm counties, which are in the Grand Rapids-Kentwood, Michigan MSA. Mercantile operates 13 offices in this AA. Since the prior evaluation, the bank has not opened or closed any branch office locations in this area. The AA accounts for 52.2 percent of the bank's total deposits as of June 30, 2024. Of the loans originated or purchased in its AAs, Mercantile originated 43.0 percent of its home mortgage loans and 46.4 percent of its small business loans by number volume within this area. Additionally, the bank conducted a majority of its community development lending, qualified investments, and community development service activities within this AA; therefore, it received the most weight in the overall CRA rating. Examiners used 2020 U.S. Census, D&B, Federal Financial Institutions Examination Council (FFIEC), and aggregate lending data to analyze Mercantile's CRA performance.

## **Economic and Demographic Data**

Based on 2020 U.S. Census data, this AA contains 240 census tracts with the following income designations: 11 low-income, 53 moderate-income, 118 middle-income, 53 upper-income, and five without an income designation. The following table illustrates select economic and demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	240	4.6	22.1	49.2	22.1	2.1
Population by Geography	1,087,592	4.1	20.5	47.8	26.2	1.3
Housing Units by Geography	421,432	3.4	21.4	49.7	24.4	1.1
Owner-Occupied Units by Geography	291,058	1.6	17.4	49.9	30.0	1.0
Occupied Rental Units by Geography	105,537	8.0	29.6	50.2	10.8	1.4
Vacant Units by Geography	24,837	4.1	32.5	45.5	16.3	1.6
Businesses by Geography	79,468	2.2	19.5	45.8	31.9	0.7
Farms by Geography	2,950	0.8	16.3	52.2	30.2	0.5
Family Distribution by Income Level	270,388	18.7	18.8	23.4	39.1	0.0
Household Distribution by Income Level	396,595	22.4	17.0	19.8	40.8	0.0
Median Family Income MSA - 24340 Grand Rapids-Kentwood, MI MSA		\$80,705	Median Housing Value			\$191,386
			Median Gross Rent			\$921
			Families Below Poverty Level			6.4%
Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (* ) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares the bank's home mortgage lending to the distribution of owner-occupied housing units in the AA by census tract income level. Based on 2020 U.S. Census data, the AA contains 421,432 housing units, of which 69.1 percent are owner-occupied, 25.0 percent are occupied rental units, and 5.9 percent are vacant.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of lending by gross annual revenue (GAR) level. According to 2023 D&B data, the AA contains 79,468 non-farm businesses.

Further, D&B data from 2023 shows that the largest industries in the AA are services (40.1 percent); non-classifiable establishments (13.1 percent); retail trade (12.0 percent); finance, insurance, and real estate (10.5 percent); and construction (7.4 percent). In addition, 88.3 percent of

the businesses operate from a single location, and 66.5 percent have four or fewer employees. Major employers in the AA include Corewell Health, Meijer Inc., Trinity Health, Gentex Corporation, Gordon Food Service, and Meritage Hospitality Group.

Examiners also consider unemployment data when evaluating a bank's ability to lend in its AAs. Data obtained from the U.S. Bureau of Labor Statistics, as illustrated in the following table, shows the unemployment rates within the AA have declined following their peak in 2020 during the COVID-19 pandemic. Collectively, the AA is consistently below state and nationwide unemployment rates.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Ionia County	4.7	3.8	3.6
Kent County	4.6	3.4	3.2
Montcalm County	5.5	4.4	4.3
Ottawa County	4.0	3.2	3.0
State of Michigan	5.7	4.1	3.9
National Average	5.3	3.6	3.6
<i>Source: U.S. Bureau of Labor Statistics</i>			

Examiners use the FFIEC-adjusted median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle-, and upper-income ranges for the AA during the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Grand Rapids-Kentwood, MI MSA Median Family Income (24340)</b>				
2022 (\$88,900)	<\$44,450	\$44,450 to <\$71,120	\$71,120 to <\$106,680	≥\$106,680
2023 (\$97,500)	<\$48,750	\$48,750 to <\$78,000	\$78,000 to <\$117,000	≥\$117,000
<i>Source: FFIEC</i>				

## **Competition**

Mercantile operates in a highly competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2024, 28 financial institutions have \$30.4 billion in deposits and operate 249 offices within the AA. Of these institutions, Mercantile ranks sixth, with 7.2 percent of the market share. The top five institutions account for 65.3 percent of the market share.

There is a high level of competition in this market for home mortgage loans. Based on 2023 HMDA aggregate data, 394 lenders originated 23,472 home mortgage loans in the AA. Mercantile

ranks ninth with 2.3 percent of the market share. The top five lenders accounted for 42.5 percent of the market share.

According to 2023 CRA aggregate lending data, Mercantile ranked 10<sup>th</sup> among 88 lenders, that originated 9,243 small business loans in the AA. Of the top lenders, six of the seven accounted for 77.2 percent of the small business lending market share and their average loan size was less than \$10,000.

### **Community Contacts**

As part of the evaluation process, examiners contacted third parties active in the AA to assist in identifying credit and community development needs and opportunities. The information helps assess whether local financial institutions are responsive to those needs. For this evaluation, examiners used information from a contact with leadership in a local chamber of commerce. The contact noted continued low housing availability, increased housing costs due to supply and demand, and workforce availability limitations. Housing and small business credit needs are in high demand. The contact suggested that it is a competitive market for financial institutions with very strong players. Lastly, the contact stated that they would like to see more financial institutions involved in programs that support entrepreneurship and startup businesses.

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

Considering the information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and small business lending are the primary credit needs in the AA. The need for small business loans is supported by the high percentage of businesses with GARs of \$1.0 million or less at approximately 80.0 percent.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ASSESSMENT AREA**

### **LENDING TEST**

Mercantile demonstrated good performance under the Lending Test.

### **Lending Activity**

Lending levels reflect good responsiveness to AA credit needs. During the review period, Mercantile originated 1,339 home mortgage loans totaling \$456.4 million and 1,111 small business loans totaling \$351.4 million. The lending volume declined from the prior evaluation when the bank originated 2,315 home mortgage loans totaling \$537.4 million and 1,998 small business loans totaling \$467.0 million. The decrease in lending activity was largely attributed to the origination of PPP loans during the previous evaluation period and the rising interest rate environment. During the current evaluation period, Mercantile ranked ninth among home mortgage lenders and 10<sup>th</sup> for small business loans among lenders that report small business lending data.

## **Geographic Distribution**

Overall, the geographic distribution of loans reflects good penetration throughout the AA. Good performance in home mortgage and small business lending supports this conclusion.

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

The geographic distribution of home mortgage loans reflects good penetration throughout the AA. In 2022 and 2023, the bank's performance was slightly below, but comparable to, aggregate performance in low-income tracts. The bank's performance slightly exceeded the demographics in 2022 and 2023. In 2022, bank performance exceeded aggregate performance and the demographics in moderate-income tracts. In 2023, bank performance trailed, but was comparable to, both aggregate performance and the demographics in moderate-income tracts. The following table includes additional information.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2022	1.6	2.2	16	2.0	2,466	1.1
2023	1.6	2.4	11	2.0	1,763	0.8
Moderate						
2022	17.4	17.9	148	18.7	25,518	11.5
2023	17.4	18.7	90	16.4	13,964	6.0
Middle						
2022	49.9	49.1	344	43.5	90,631	40.8
2023	49.9	48.8	265	48.3	97,331	41.5
Upper						
2022	30.0	30.0	279	35.3	102,962	46.3
2023	30.0	29.3	181	33.0	120,590	51.5
Not Available						
2022	1.0	0.8	3	0.4	609	0.3
2023	1.0	0.8	2	0.4	641	0.3
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>790</b>	<b>100.0</b>	<b>222,186</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>549</b>	<b>100.0</b>	<b>234,289</b>	<b>100.0</b>
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						



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

The geographic distribution of small business loans reflects good penetration throughout the AA. In 2022 and 2023, the bank's lending in low-income tracts exceeded aggregate lending and demographic data. Further, in 2022 and 2023, the bank's performance in moderate-income tracts also exceeded aggregate performance. The bank's performance exceeded the demographic in 2022, but was slightly below, though comparable, to the demographic in 2023. Given that the bank's lending distribution exceeded aggregate lending data in both years, the geographic distribution of loans reflects good performance. The following table illustrates the geographic distribution of small business loans and includes 2022 and 2023 aggregate small business lending data.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2022	2.1	2.0	16	2.7	6,397	3.4
2023	2.2	1.9	15	2.9	6,920	4.3
Moderate						
2022	19.6	18.5	125	21.1	41,082	21.7
2023	19.5	18.2	99	19.1	35,672	22.1
Middle						
2022	45.9	45.0	268	45.3	83,166	43.8
2023	45.8	43.9	253	48.7	73,643	45.5
Upper						
2022	31.6	33.8	181	30.6	58,383	30.8
2023	31.9	35.4	151	29.1	45,350	28.0
Not Available						
2022	0.8	0.7	2	0.3	700	0.4
2023	0.7	0.6	1	0.2	125	0.1
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>592</b>	<b>100.0</b>	<b>189,728</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>519</b>	<b>100.0</b>	<b>161,710</b>	<b>100.0</b>
<i>Source: 2022 &amp; 2023 D&amp;B Data; Bank Data; 2022 &amp; 2023 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among borrowers of different income levels and businesses of different sizes. Adequate penetration within the more heavily weighted home mortgage lending segment relative to poor small business lending performance supports this conclusion.

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

The distribution of borrowers reflects adequate penetration to individuals of different income levels. As shown in the following table, in 2022 and 2023, the bank's lending to low-income borrowers was significantly below aggregate performance and the demographic. Mercantile's performance with moderate-income borrowers was also below aggregate performance in 2022 and 2023 but is considered comparable. In addition, the bank's performance exceeded the percentage of moderate-income families in the AA for both years.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2022	18.7	11.2	58	7.3	7,414	3.3
2023	18.7	9.7	43	7.8	4,376	1.9
Moderate						
2022	18.8	24.1	158	20.0	25,058	11.3
2023	18.8	23.3	111	20.2	18,401	7.9
Middle						
2022	23.4	22.9	172	21.8	34,650	15.6
2023	23.4	24.2	121	22.0	21,507	9.2
Upper						
2022	39.1	31.1	364	46.1	138,234	62.2
2023	39.1	31.3	248	45.2	94,181	40.2
Not Available						
2022	0.0	10.7	38	4.8	16,830	7.6
2023	0.0	11.6	26	4.7	95,823	40.9
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>790</b>	<b>100.0</b>	<b>222,186</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>549</b>	<b>100.0</b>	<b>234,289</b>	<b>100.0</b>
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The distribution of borrowers among small business loans reflects poor penetration throughout the AA. As detailed in the following table, Mercantile's lending performance to businesses with revenues of \$1.0 million or less, significantly trailed the aggregate lending levels and the demographic for both years.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	83.7	48.2	183	30.9	44,501	23.5
2023	84.3	51.6	143	27.6	29,754	18.4
>\$1,000,000						
2022	6.0	--	376	63.5	135,612	71.5
2023	5.7	--	349	67.2	126,857	78.4
Revenue Not Available						
2022	10.3	--	33	5.6	9,615	5.1
2023	10.0	--	27	5.2	5,099	3.2
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>592</b>	<b>100.0</b>	<b>189,728</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>519</b>	<b>100.0</b>	<b>161,710</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Innovative or Flexible Lending Practices**

The institution makes extensive use of innovative or flexible lending practices in order to serve AA credit needs. Mercantile funded 374 innovative or flexible loans totaling \$98.6 million during the evaluation period, representing 33.0 percent of the total flexible lending (by number volume) originated during the evaluation period. This is an increase from the prior evaluation when the bank funded 257 innovative or flexible loans totaling \$55,770. These loans are provided to individuals and businesses that may not have otherwise qualified for traditional bank financing.

Innovative and Flexible Lending Programs										
Type of Program	2021*		2022		2023		2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
FHA	5	1,102	13	2,691	20	4,168	32	8,242	70	16,203
Home Possible	7	1,096	24	4,057	53	10,457	65	13,564	149	29,174
Home Ready	-	-	-	-	-	-	23	5,306	23	5,306
RD	-	-	1	283	-	-	-	-	1	283
MSHDA	-	-	9	1,488	6	1,042	7	1,329	22	3,859
Secured CC	3	2	16	21	24	27	18	15	61	65
SBA504	9	17,072	4	12,752	2	8,244	5	5,670	20	43,738
SBA 7A	-	-	-	-	-	-	-	-	0	0
SBA Express	-	-	-	-	-	-	-	-	0	0
Credit Builder	1	1	9	7	7	5	11	7	28	20
<b>Totals</b>	<b>25</b>	<b>19,273</b>	<b>76</b>	<b>21,299</b>	<b>112</b>	<b>23,943</b>	<b>161</b>	<b>34,133</b>	<b>374</b>	<b>98,648</b>
Source: Bank Data, *9/13/2021-12/31/2021										

### **Community Development Loans**

Mercantile is a leader in making community development loans in the AA. During the evaluation period, the bank originated 144 loans totaling \$547.0 million in this AA, representing 49.7 percent of the community development loans by number volume. The number and dollar volume of community development lending in this AA significantly increased since the previous evaluation, when the bank originated 154 loans totaling \$362.8 million. The following table shows the bank's community development lending by purpose and year in the AA.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)*	2	550	1	125	3	15,167	-	-	6	15,842
2022	3	9,670	10	21,640	22	127,246	4	18,237	39	176,793
2023	5	26,509	11	9,418	30	124,099	8	19,954	54	179,980
2024	4	12,150	8	8,365	28	129,999	5	23,900	45	174,414
<b>Total</b>	<b>14</b>	<b>48,879</b>	<b>30</b>	<b>39,548</b>	<b>83</b>	<b>396,511</b>	<b>17</b>	<b>62,091</b>	<b>144</b>	<b>547,029</b>
Source: Bank Data, *09/14/2021-12/31/2021										

Examples of the bank's community development loans in this AA are as follows:

- A \$26.5 million loan provided funding for a new hotel in downtown Grand Rapids that will create over 60 jobs. Low- and moderate-income employees will fill most of the jobs created.

- A \$4.6 million loan provided funding for the renovation of a facility to house a non-profit organization that operates a homeless shelter for men and women.
- A \$50,000 loan for a 10-unit affordable housing project.

## INVESTMENT TEST

Mercantile demonstrated good performance under the Investment Test in the Grand Rapids AA. The bank's level of qualified investments and good responsiveness to community development needs support this conclusion.

### Investment and Grant Activity

Mercantile has a significant level of qualified community development investments and donations, occasionally in a leadership position, particularly those that are not routinely provided by private investors. In total, the bank made or maintained 24 qualified investments totaling \$10.2 million in the AA. The bank also made 167 qualified donations totaling \$1.0 million in the AA. This level of activity, by number volume, represents 39.7 percent of the bank's total community development investment activity. While the number and dollar volume of community development investments and donations in this AA declined since the previous evaluation, when the bank made 27 investments totaling \$17.2 million and 201 donations totaling \$1.7 million, the bank's performance remains significant. The following table shows the bank's community development investments and donations by purpose and year in the AA.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	9	2,397	6	2,737	4	1,243	-	-	19	6,377
2021 (partial)*	1	1,340	-	-	2	348	-	-	3	1,688
2022	-	-	-	-	-	-	-	-	-	-
2023	-	-	-	-	2	2,143	-	-	2	2,143
2024	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>10</b>	<b>3,737</b>	<b>6</b>	<b>2,737</b>	<b>8</b>	<b>3,734</b>	<b>-</b>	<b>-</b>	<b>24</b>	<b>10,208</b>
Qualified Grants & Donations	26	148	117	669	21	184	3	10	167	1,011
<b>Total</b>	<b>36</b>	<b>3,885</b>	<b>123</b>	<b>3,406</b>	<b>29</b>	<b>3,918</b>	<b>3</b>	<b>10</b>	<b>191</b>	<b>11,219</b>
Source: Bank Data, *09/14/2021-12/31/2021										

Notable examples of community development investments and donations made by the bank in the AA include the following:

- The bank invested in a municipal school bond totaling \$1.0 million for a school district that primarily serves low- and moderate-income students.
- The bank invested approximately \$1.5 million in bonds to support improvement projects at various schools in the area where most students qualify for free or reduced-price lunches.

- The bank maintains a prior period investment totaling approximately \$1.0 million in a fund used for capital improvements that promote economic development in low- and moderate-income census tracts.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits excellent responsiveness to the credit and community development needs of the AA. The qualified investments and donations that the bank made during the review period were consistent with the needs of the AA. A majority of the qualified investments and grants, by number and dollar volume, have supported affordable housing, community services, and economic development initiatives, which are needs identified by the community contact during the evaluation period.

### **Community Development Initiatives**

The institution occasionally uses innovative or complex investments to support community development initiatives. The institution primarily invested in municipal school bonds and low-income housing loan pools to support community development initiatives in the AA.

### **SERVICE TEST**

Mercantile demonstrated good performance under the Service Test in the Grand Rapids AA.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the institution's AA. Mercantile operates 10 branches, two drive-thru locations, and a VBM location in the AA. Of those 13 locations, four are in moderate-income tracts, which represents 30.8 percent of the branches and exceeds the corresponding population of low- moderate-income individuals (24.6 percent), as well as low- moderate-income tracts (26.7 percent) in the AA. As discussed previously, Mercantile offers a variety of alternative methods for customers to access banking products and services in addition to brick-and-mortar locations. Further, all but one location in this AA has either an ATM or a VBM. The accessibility of delivery systems in this AA is consistent with the bank's overall accessibility.

### **Changes in Branch Locations**

The bank has not opened or closed any branches in this AA since the previous evaluation.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies or individuals. Except as previously mentioned concerning the drive-thru only and VBM-only locations, operating hours and services do

not vary significantly and are similar to the hours and services offered by other banks within this AA. In this AA, three branches and the VBM-only locations are not open on Saturdays, and none of these are in low- or moderate-income census tracts. The reasonableness of business hours and services in this AA is consistent with the bank’s overall business hours and services.

### **Community Development Services**

The institution is a leader in providing community development services. Mercantile provided 607 qualified services within the AA, which represents 50.9 percent of the total services provided by the bank in all AAs during the evaluation period. The bank’s performance in the AA increased since the previous evaluation, when it provided 498 qualified community development services in the AA. This increase is largely attributed to COVID-19 pandemic restrictions expiring, allowing the bank to provide community development services in person.

Bank employees provided financial literacy courses that accounted for more than 652 hours of employee time (each class counted as an instance) and impacted nearly 5,021 residents and students throughout the AA. Bank employees provided 217 instances of services and over 5,400 hours by serving on boards or committees. The following table provides a summary of the qualifying community development services bank personnel engaged in since the previous evaluation.

<b>Community Development Services</b>					
<b>Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Total</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2021 (Partial)	14	39	4	-	<b>57</b>
2022	33	89	17	-	<b>139</b>
2023	37	134	4	14	<b>189</b>
2024	25	183	-	14	<b>222</b>
<b>Total</b>	<b>109</b>	<b>445</b>	<b>25</b>	<b>28</b>	<b>607</b>
<i>Source: Bank Data</i>					

The following table details notable examples of the community development services bank personnel provided during the evaluation period within the AA.

Community Development Services				
Brief Service Description	Community Development Purpose	Bank Sponsored Event, Program or Seminar	Technical Assistance or Direct Involvement by Bank Employee	Bank Product or Service
Teach Children to Save – Financial literacy seminars taught within elementary schools where more than 50 percent of the students are low- or moderate-income. <i>Bank employees conduct the seminars.</i>	Community Service	2021-2024		
The Right Place – The organization supports the global competitiveness of manufacturers throughout the region’s four counties by offering training solutions in business growth, lean principles and practices, quality operations, people, and sustainability. A leading center for quality, technical expertise, and innovation. Created 3,400 jobs with average hourly wages of approximately \$21.00. <i>Bank CEO is a Finance Committee member. Bank commercial loan manager serves on the New Community Transformation Fund Investment Committee.</i>	Economic Development		2021-2023 CEO 2022 Commercial Loan Manager	
Habitat for Humanity – Habitat for Humanity provides affordable housing services to low- and moderate-income families at or below 80 percent of area median income, primarily serving those below 50 percent of area median income. Bank employees provide information about the mortgage application process, fair housing, lending, money management, budgeting, and understanding credit for their financial empowerment and homebuyer education programs. <i>Bank employees provided training classes and serve on the Board, Strategic Planning Committee, Family Selection Committee, and Mortgage Finance Committees. Employees include a mortgage loan officer, mortgage sales manager, chief compliance officer, and risk management department head.</i>	Affordable Housing	2022-2024	2021-2024	
Source: Bank Records				



# **MICHIGAN NON-METROPOLITAN STATISTICAL AREA ASSESSMENT**

## **AREA – Full-Scope Review**

### **DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MICHIGAN NON-METROPOLITAN STATISTICAL AREA ASSESSMENT AREA**

The bank’s Non-MSA AA consists of the entirety of Allegan, Clare, Emmet, Gratiot, Isabella, Mecosta, Missaukee, Ogemaw, Oscoda, Roscommon, Van Buren, and Wexford counties. Mercantile operates 19 deposit-taking locations in the AA, including 12 full-service branches, two drive-thru locations, three LPOs, and two ATM-only locations. Since the prior evaluation, the bank closed three locations in the AA, two of which were in middle-income tracts, and the third was in a tract without an income designation. Both middle-income tracts were designated as distressed or underserved. The AA accounts for 27.8 percent of the bank’s total deposits as of June 30, 2024. The bank has originated 43.2 percent of its home mortgage and 28.9 percent of its small business loans by number volume within this AA.

#### **Economic and Demographic Data**

Based on 2020 U.S. Census data, this AA contains 157 census tracts with the following income designations: two low-income, 36 moderate-income, 85 middle-income, and 26 upper-income. The AA also contains eight tracts without an income designation. The AA contains several distressed and underserved middle-income tracts as well. In 2021 through 2024, the following counties had distressed or underserved tracts:

- Clare County had five tracts that were distressed for unemployment, Emmet County had five tracts that were underserved and distressed for unemployment,
- Mecosta County had 10 tracts that were distressed for poverty,
- Ogemaw County had four tracts that were underserved and distressed for unemployment,
- Oscoda County had four tracts that were underserved and distressed for unemployment, three of which were also distressed for population loss,
- Roscommon County has eight tracts that were underserved and distressed for unemployment.

The following table illustrates select economic and demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	157	1.3	22.9	54.1	16.6	5.1
Population by Geography	508,099	0.9	19.4	58.3	19.3	2.2
Housing Units by Geography	277,785	1.1	23.3	58.1	16.4	1.0
Owner-Occupied Units by Geography	155,587	0.5	19.2	60.7	19.4	0.3
Occupied Rental Units by Geography	44,879	3.5	24.8	55.2	12.9	3.5
Vacant Units by Geography	77,319	1.1	30.9	54.7	12.4	0.9
Businesses by Geography	33,773	0.6	16.6	60.3	21.3	1.3
Farms by Geography	2,439	0.7	11.6	64.6	23.0	0.2
Family Distribution by Income Level	132,612	20.0	18.5	22.5	39.0	0.0
Household Distribution by Income Level	200,466	23.2	17.1	18.4	41.3	0.0
Median Family Income Non-MSAs - MI		\$64,965	Median Housing Value			\$140,140
			Median Gross Rent			\$742
			Families Below Poverty Level			9.6%
Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (* ) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares the bank's home mortgage lending to the distribution of owner-occupied housing units in the AA by census tract income level. Based on 2020 U.S. Census data, the AA contains 277,785 housing units, of which 56.1 percent are owner-occupied, 16.2 percent are occupied rental units, and 27.8 percent are vacant.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of lending by GAR level. According to 2023 D&B data, the AA contains 33,773 non-farm businesses.

D&B data from 2023 shows the largest industries in the AA are services (37.8 percent); retail trade (14.1 percent); non-classifiable establishments (10.3); finance, insurance, and real estate (8.2 percent); and construction (8.6 percent). In addition, 88.4 percent of the businesses operate from a single location, and 68.3 percent have four or fewer employees. Major employers in the AA include Perrigo Company, Charles River Laboratories, Saginaw Chippewa Indian Tribe, Central Michigan University, and MidMichigan Medical Center.

Examiners also consider unemployment data when evaluating a bank's ability to lend in its AA. Data obtained from the U.S. Bureau of Labor Statistics, as illustrated in the following table, shows

the unemployment rates within the AA. Unemployment rates declined across the AA from its height in 2020 as a result of the COVID-19 pandemic, though many counties remain above the state and nationwide averages.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Allegan County	4.6	3.6	3.4
Clare County	7.8	6.7	6.3
Gratiot County	5.5	4.5	4.4
Isabella County	5.2	4.7	4.5
Mecosta County	6.2	5.4	5.3
Missaukee County	5.4	4.9	4.8
Ogemaw County	7.6	6.8	6.6
Oscoda County	8.7	7.8	7.6
Roscommon County	9.2	8.5	7.2
Van Buren County	5.9	5.0	4.7
Wexford County	5.8	4.8	4.8
State of Michigan	5.7	4.1	3.9
National Average	5.3	3.6	3.6
Source: U.S. Bureau of Labor Statistics			

Examiners use the FFIEC-adjusted median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle-, and upper-income ranges for the AA during the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
MI NON-MSA Median Family Income				
2022 (\$71,500)	<\$35,750	\$35,750 to <\$57,200	\$57,200 to <\$85,800	≥\$85,800
2023 (\$79,800)	<\$39,900	\$39,900 to <\$63,840	\$63,840 to <\$95,760	≥\$95,760
Source: FFIEC				

## **Competition**

Mercantile operates in a moderately competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2024, 20 FDIC-insured financial institutions have \$8.0 billion in deposits and operate 116 offices within the AA. Of these institutions, Mercantile ranks third with 14.6 percent of the market share. The top two institutions account for 36.9 percent of the market share.

There is a high level of competition for home mortgage loans. Based on 2023 HMDA aggregate data, 373 lenders originated or purchased 9,968 home mortgage loans in the AA. Mercantile ranked fourth with 5.3 percent of the market share. The top three lenders accounted for 20.3 percent of the home mortgage lending market share.

There is a moderate level of competition for small business loans. Based on 2022 aggregate lending data, 73 lenders originated or purchased 4,126 small business loans in the AA. Mercantile ranked ninth with 4.6 percent of the market share. The top five lenders accounted for 62.1 percent of the small business lending market share.

### **Community Contact**

Examiners contacted a community development director located in a major city in Wexford County. The contact stated that the population count and the economy are relatively stable. Further, there is a need for housing stock, which the city has been addressing through affordable multifamily housing units. The pandemic contributed to inflated home and building material prices, which has not changed. The contact opined that there is a need for small business lending for many start-up companies, especially small businesses entering the e-commerce business.

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

Considering the information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and small business lending are the primary credit needs in the AA. Opportunities for these activities exist, given the large percentage of businesses with GARs of \$1.0 million or less and the level of low- and moderate-income tracts and families within the AA.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MICHIGAN NON-METROPOLITAN STATISTICAL AREA ASSESSMENT AREA**

### **LENDING TEST**

Mercantile demonstrated good performance under the Lending Test in the Non-MSA AA.

### **Lending Activity**

Lending levels reflect good responsiveness to AA credit needs. During the review period, Mercantile originated 1,256 home mortgage loans totaling \$245.2 million and 679 small business loans totaling \$117.3 million. The lending volume declined from the prior evaluation when the bank originated 1,738 home mortgage loans totaling \$247.2 million and 1,351 small business loans totaling \$174.9 million in this AA. Examiners noted that small business loans were bolstered with 511 SBA PPP loan originations totaling \$43.2 million. During the current review period, Mercantile ranked fourth among lenders that report home mortgage loan data and ninth for small business loans among lenders that report small business lending data.

## **Geographic Distribution**

Overall, the geographic distribution of loans reflects good penetration throughout the AA. Excellent performance in small business lending, coupled with adequate penetration in the more heavily weighted home mortgage lending segment, supports this conclusion.

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

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA. As detailed in the following table, in 2022, the bank's performance in low-income geographies was comparable to aggregate performance. However, the bank did not originate any loans in low-income geographies in 2023. In 2022, the bank's performance in moderate-income tracts slightly exceeded the aggregate performance. In 2023, the bank's performance trailed the aggregate performance. Lending in both low-and moderate-income tracts trailed the percentage of owner-occupied housing units, but aggregate lending levels are generally a better indicator of demand.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2022	0.5	0.3	1	0.1	1,816	1.3
2023	0.5	0.3	0	0.0	0	0.0
Moderate						
2022	19.2	16.8	130	17.8	12,229	8.5
2023	19.2	18.5	84	15.9	8,675	8.6
Middle						
2022	60.7	59.1	386	52.9	68,059	47.3
2023	60.7	58.7	308	58.4	53,638	53.0
Upper						
2022	19.4	23.5	210	28.8	61,585	42.8
2023	19.4	22.1	134	25.4	38,783	38.3
Not Available						
2022	0.3	0.3	2	0.3	293	0.2
2023	0.3	0.4	1	0.2	185	0.2
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>729</b>	<b>100.0</b>	<b>143,982</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>527</b>	<b>100.0</b>	<b>101,280</b>	<b>100.0</b>
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The geographic distribution of small business loans reflects excellent penetration throughout the AA. The level of lending in low-income tracts is slightly higher than aggregate performance in both years. Performance was comparable to the demographic in low-income tracts for 2022 and 2023 as well. Mercantile's performance in moderate-income tracts significantly exceeded aggregate lending and the demographics in 2022 and 2023. The following table illustrates the geographic distribution of small business loans and includes 2022 and 2023 aggregate CRA small business lending data.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2022	0.5	0.5	2	0.6	1,250	2.1
2023	0.6	0.3	2	0.6	1,056	1.9
Moderate						
2022	16.9	14.9	73	20.5	9,119	15.1
2023	16.6	14.8	61	18.9	8,560	15.1
Middle						
2022	60.2	60.2	231	64.9	37,157	61.4
2023	60.3	60.5	218	67.5	35,754	62.9
Upper						
2022	21.1	23.5	46	12.9	12,295	20.3
2023	21.3	23.5	38	11.8	11,064	19.5
Not Available						
2022	1.2	0.8	4	1.1	734	1.2
2023	1.3	0.8	4	1.2	392	0.7
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>356</b>	<b>100.0</b>	<b>60,555</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>323</b>	<b>100.0</b>	<b>56,826</b>	<b>100.0</b>
<i>Source: 2022 &amp; 2023 D&amp;B Data; Bank Data; 2022 &amp; 2023 CRA Aggregate Data, "--" data not available.  Due to rounding, totals may not equal 100.0%</i>						

### **Borrower Profile**

Overall, the distribution of borrowers reflects adequate penetration among borrowers of different income levels and businesses of different sizes. Adequate penetration within both home mortgage and small business loan segments supports this conclusion.

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

The distribution of home mortgage loans to borrowers of different income levels, particularly low- and moderate-income, reflects adequate penetration. As detailed in the following table, lending levels to low-income borrowers exceeded the aggregate performance in both years. The bank's lending performance to moderate-income borrowers was less than the aggregate lending data, but comparable. Mercantile's performance was significantly below the demographics in 2022 and 2023, but comparable to moderate-income demographics in both years.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2022	20.0	8.2	67	9.2	4,228	2.9
2023	20.0	8.4	45	8.5	2,806	2.8
Moderate						
2022	18.5	20.4	136	18.7	13,971	9.7
2023	18.5	20.3	104	19.7	9,992	9.9
Middle						
2022	22.5	22.3	155	21.3	20,276	14.1
2023	22.5	23.1	125	23.7	17,196	17.0
Upper						
2022	39.0	38.3	356	48.8	101,921	70.8
2023	39.0	36.2	243	46.1	70,441	69.6
Not Available						
2022	0.0	10.8	15	2.1	3,587	2.5
2023	0.0	12.0	10	1.9	845	0.8
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>729</b>	<b>100.0</b>	<b>143,983</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>527</b>	<b>100.0</b>	<b>101,280</b>	<b>100.0</b>
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The distribution of small business loans reflects adequate penetration among businesses of different sizes. As detailed in the following table, Mercantile's loans to businesses with revenues of \$1.0 million or less were comparable to aggregate lending levels for both years. Although the bank's performance lags the percentage of businesses in the AA that reported GARs of \$1.0 million or less, it is important to point out that the demographic data includes all businesses in the AA, and not necessarily those businesses that have a need for financing. As such, aggregate lending data is

considered the best comparative factor, as it reflects the actual level of lending by all reporting lenders operating in the AA.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	82.7	52.4	188	52.8	23,223	38.4
2023	83.2	57.1	177	54.8	18,164	32.0
>\$1,000,000						
2022	5.0	--	162	45.5	36,747	60.7
2023	4.8	--	139	43.0	37,182	65.4
Revenue Not Available						
2022	12.3	--	6	1.7	585	1.0
2023	11.9	--	7	2.2	1,480	2.6
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>356</b>	<b>100.0</b>	<b>60,555</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>323</b>	<b>100.0</b>	<b>56,826</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Innovative or Flexible Lending Practices**

The institution makes extensive use of innovative or flexible lending practices to serve AA credit needs. Mercantile funded 331 innovative or flexible loans totaling \$43.6 million representing an increase of approximately 50.0 percent by number and dollar volume. This is an increase from the prior evaluation when the bank funded 215 innovative or flexible loans totaling \$27.5 million. The following table illustrates the volume of lending by product type and year.



Innovative or Flexible Lending Programs										
Type of Program	2021*		2022		2023		2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
FHA	3	299	19	3,138	30	6,348	17	3,267	69	13,052
Home Possible	10	876	12	1,433	35	4,517	53	7,343	110	14,169
Home Ready	-	-	-	-	-	-	4	736	4	736
RD	2	186	2	225	-	-	1	96	5	507
MSHDA	-	-	6	777	10	1,110	8	994	24	2,881
Secured CC	3	2	16	15	25	13	33	26	77	56
SBA504	2	370	4	8,161	-	-	1	3,138	7	11,669
SBA 7A	-	-	1	450	-	-	-	-	1	450
SBA Express	-	-	1	45	-	-	-	-	1	45
Credit Builder	2	3	13	12	9	6	9	6	33	27
<b>Totals</b>	<b>22</b>	<b>1,736</b>	<b>74</b>	<b>14,256</b>	<b>109</b>	<b>11,994</b>	<b>126</b>	<b>15,606</b>	<b>331</b>	<b>43,592</b>
Source: Bank Data, *9/13/2021-12/31/2021										

### **Community Development Loans**

Mercantile is a leader in making community development loans in the AA. During the evaluation period, the bank originated 57 loans totaling \$258.7 million in this AA, representing 22.3 percent of the community development loans by number volume originated in the AAs. The number and dollar volume of community development lending in this AA significantly increased since the previous evaluation, when the bank originated 49 loans totaling \$73.1 million. The following table shows the bank's community development lending by purpose and year in the AA.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	-	-	-	-	2	10,368	-	-	2	10,368
2022	1	1,816	6	8,700	11	34,611	2	2,060	20	47,187
2023	-	-	3	3,500	11	90,383	5	11,215	19	105,098
2024	-	-	2	2,500	11	83,123	3	10,461	16	96,084
<b>Total</b>	<b>1</b>	<b>1,816</b>	<b>11</b>	<b>14,700</b>	<b>35</b>	<b>218,485</b>	<b>10</b>	<b>23,736</b>	<b>57</b>	<b>258,737</b>
Source: Bank Data, *09/14/2021-12/31/2021; Due to rounding, totals may not equal 100.0%										

Examples of the bank's community development loans in this AA are as follows:

- A \$6.0 million loan provided working capital funding for a small business located in a distressed geography. The funds ensure the business can remain operational and it ensures job retention for low- and moderate-income workers.
- A \$1.0 million loan provided funding through a CRA qualified investment fund benefiting senior Crimestoppers.

- A \$1.8 million loan for a 48-unit low-income housing tax credit apartment complex.

## INVESTMENT TEST

Mercantile's investment performance reflects excellent responsiveness to credit and community development needs in the Non-MSA AA.

### Investment and Grant Activity

Mercantile has an excellent level of qualified community development investments and donations, often in a leadership position, particularly those that are not routinely provided by private investors. In total, the bank made or maintained 33 qualified investments totaling \$11.0 million in the AA. The bank also made 42 qualified donations totaling \$89,000. This level of activity, by number volume, represents 15.6 percent of the bank's total community development investment activity. The number and dollar volume of community development investments and donations in this AA increased since the previous evaluation, when the bank made 18 investments totaling \$6.7 million and 50 donations totaling \$116,000. The following table shows the bank's community development investments and donations by purpose and year in the AA.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	38	11	4,061	-	-	-	-	12	4,099
2021 (partial)*	-	-	-	-	-	-	-	-	-	-
2022	-	-	5	2,296	2	536	1	273	8	3,105
2023	-	-	2	587	-	-	-	-	2	587
2024	-	-	4	1,435	6	1,481	1	190	11	3,106
<b>Subtotal</b>	<b>1</b>	<b>38</b>	<b>22</b>	<b>8,379</b>	<b>8</b>	<b>2,017</b>	<b>2</b>	<b>463</b>	<b>33</b>	<b>10,897</b>
Qualified Grants & Donations	6	10	35	77	1	2	-	-	42	89
<b>Total</b>	<b>7</b>	<b>48</b>	<b>57</b>	<b>8,456</b>	<b>9</b>	<b>2,019</b>	<b>2</b>	<b>463</b>	<b>75</b>	<b>10,986</b>
<i>Source: Bank Data, *09/14/2021-12/31/2021; Due to rounding, totals may not equal 100.0%</i>										

Notable examples of community development investments and donations made by the bank in the AA include the following:

- Invested \$38,000 to support affordable housing through a mortgage-backed security collateralized by loans made to low- and moderate-income borrowers. This was an outstanding prior period investment.
- Invested in bonds, totaling approximately \$8.4 million, to support projects at various schools in the area where the majority of students qualify for free or reduced-price lunches.
- Purchased one bond to finance the acquisition and furnishing of equipment for a new fire station in an underserved and distressed geography.

## **Responsiveness to Credit and Community Development Needs**

The institution exhibits excellent responsiveness to credit and community development needs. Investments and grants made were consistent with the needs of the AA. A majority of the qualified investments and grants, by number and dollar volume, have supported community services and economic development.

## **Community Development Initiatives**

The institution occasionally uses innovative or complex investments to support community development initiatives. The institution primarily invested in municipal school bonds and low-income housing loan pools to support community development initiatives in the AA.

## **SERVICE TEST**

Mercantile demonstrated good responsiveness to the credit and community development needs in the Michigan Non-MSA AA.

## **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the institution's AA. Mercantile operates 16 branches, which includes five drive-thru locations, in the AA. Of those 16 locations, four or 25.0 percent are in moderate-income tracts. In addition to brick-and-mortar locations, Mercantile offers a variety of alternative methods for customers to access banking products and services as previously stated. All but one location in this AA has either an ATM or a VBM. There are also three LPOs in this AA. The accessibility of delivery systems in this AA is consistent with the bank's overall accessibility.

## **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches in the AA has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.

During the review period Mercantile closed three branches in this AA:

- 1) The Mission Branch, in a census tract with an unknown designation, was located at 2015 South Mission Street, Mt. Pleasant closed on July 20, 2023. Mercantile Bank continues to operate two full-service branch facilities and an additional LPO that are each three to four miles from the old Mission location. Due to changing customer behavior, in-branch transactions at all three branch locations had declined more than 20 percent over the preceding three years. The Mission location was selected for closure and consolidation due to its low deposit and loan balances in comparison to the two other Mt. Pleasant locations. Mercantile's deposit market share in Mt. Pleasant has grown from 21 percent to 25 percent since the closure of the Mission branch.

- 2) The West Branch Downtown Branch located in a middle-income census tract at 502 West Houghton in West Branch closed on December 14, 2023, and was consolidated into the West Branch M76 office located approximately one mile east at 2087 South M76 Road. Mercantile Bank also operates a LPO at 601 West Houghton Road. Due to changing customer behavior, in-branch transactions at the two West Branch locations had declined more than 30 percent over the preceding three years. Prior to closing the downtown office, significant renovations were made at the M76 office to add office space and upgrade the ATM with interactive teller machine technology. Mercantile's deposit market share in West Branch has grown from 45 percent to 52 percent since the closure of the West Branch Downtown Branch.
- 3) The Canadian Lakes Branch located in a middle-income census tract at 10049 Buchanan Road in Stanwood closed on April 12, 2024. This location was a leased facility that had experienced several maintenance issues prior to its closure. Mercantile held 21 percent of the deposit market share with \$23.0 million in deposits. This location struggled to gain deposit market share since it opened in 1995; Stanwood is a seasonal community and transactions at this location declined 25 percent over a three-year period. Mercantile operates a full-service branch location in Remus approximately 7.6 miles east that successfully services and supports customers of the former Canadian Lakes location.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies or individuals. Operating hours and services do not vary significantly and are similar to the hours and services offered by other banks within this AA. In this AA, eight branches are not open on Saturdays and four branches and one LPO are in moderate-income census tracts. The reasonableness of business hours and services in this AA is consistent with the bank's overall business hours and services.

### **Community Development Services**

Mercantile is a leader in providing community development services throughout the AA. Over the review period, bank personnel provided 301 qualified services within the AA, representing 25.3 percent of all services. The bank's performance in the AA increased since the previous evaluation, when the bank provided 226 qualified community development services in the AA. This increase is largely attributed to COVID-19 pandemic restrictions expiring, allowing the bank to provide community development services.

Bank employees provided financial literacy courses that accounted for more than 228 hours of employee time (each class counted as an instance) and impacted nearly 3,713 residents and students throughout the AA. Bank employees provided 104 instances of services and over 1,920 hours by serving on boards or committees. The following table provides a summary of the qualifying community development services bank personnel engaged in since the previous evaluation. The following table provides a summary of the qualifying community development services bank personnel have engaged in since the previous evaluation.

<b>Community Development Services</b>					
<b>Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Total</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2021 (Partial)	7	12	-	4	<b>23</b>
2022	22	43	-	7	<b>72</b>
2023	13	88	1	8	<b>110</b>
2024	2	89	-	5	<b>96</b>
<b>Total</b>	<b>44</b>	<b>232</b>	<b>1</b>	<b>24</b>	<b>301</b>
<i>Source: Bank Data</i>					

The following table details notable examples of community development services bank personnel performed during the review period in this AA.

Community Development Services				
Brief Service Description	Community Development Purpose	Bank Sponsored Event, Program or Seminar	Technical Assistance or Direct Involvement by Bank Employee	Bank Product or Service
Teach Children to Save / Get Smart About Credit – Financial literacy seminars in schools where more than 50 percent of students receive free or reduced-price lunch. <i>Bank employees provided seminars.</i>	Community Service	2022-2024		
Telamon – Telamon is a nonprofit that seeks to transform lives by providing educational services that lead to better jobs, lives, and communities. Telamon provides early childhood and family services through early head start, home based parenting, head start, and migrant head start. They provide workforce development and youth services. Mercantile partnered to teach a variety of classes including money management, understanding credit, and homebuyer education. <i>Bank employees provided seminars.</i>	Affordable Housing	2021-2022		
His Love Family Resources - Provides assistance including counselling, parenting classes, and other support services to low-income pregnant teenagers and women. <i>Bank employee served on the Board.</i>	Community Service		2021-2024	
<i>Source: Bank Records</i>				

## LANSING-EAST LANSING, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE LANSING- EAST LANSING, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA

The bank’s Lansing AA consists of the entirety of Ingham and Clinton counties, located in the Lansing-East Lansing, Michigan MSA. Mercantile operates two full-service branches within this AA located in middle-income census tracts. The AA accounts for 8.4 percent of the bank’s total deposits as of June 30, 2024. The bank originated 2.8 percent of home mortgage loans and 8.8 percent of small business loans within this AA, by number.

#### **Economic and Demographic Data**

Based on 2020 U.S. Census data, this AA contains 107 census tracts with the following income designations: seven low-income; 23 moderate-income; 37 middle-income; and 28 upper-income.

The AA also contains 12 tracts with no income designation. The following table illustrates select economic and demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	107	6.5	21.5	34.6	26.2	11.2
Population by Geography	364,028	4.9	19.2	37.0	32.0	6.8
Housing Units by Geography	155,967	5.9	22.4	38.6	30.6	2.5
Owner-Occupied Units by Geography	91,669	3.4	16.5	42.2	37.7	0.2
Occupied Rental Units by Geography	52,191	8.8	30.8	33.5	21.1	5.7
Vacant Units by Geography	12,107	11.7	31.3	33.5	17.5	6.0
Businesses by Geography	27,543	6.2	21.1	35.4	33.0	4.4
Farms by Geography	1,144	2.1	8.7	45.7	41.9	1.7
Family Distribution by Income Level	81,855	21.5	16.7	20.5	41.4	0.0
Household Distribution by Income Level	143,860	25.0	16.4	18.3	40.3	0.0
Median Family Income MSA - 29620 Lansing-East Lansing, MI MSA		\$78,657	Median Housing Value			\$158,157
			Median Gross Rent			\$909
			Families Below Poverty Level			8.6%
Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (* ) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares the bank's home mortgage lending to the distribution of owner-occupied housing units in the AA by census tract income level. Based on 2020 U.S. Census data, the AA contains 155,967 housing units, of which 58.8 percent are owner-occupied, 33.5 percent are occupied rental units, and 7.8 percent are vacant.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of lending by GAR level. According to 2023 D&B data, the AA contains 27,543 non-farm businesses.

D&B data from 2023 also shows that the largest industries in the AA are services (43.5 percent); non-classifiable establishments (12.7 percent); and finance, insurance, and real estate (11.1 percent). In addition, 66.5 percent employ four or fewer employees, and 88.1 percent operate from a single location. Major employer in the AA are Michigan State University, Auto Owners Insurance Group, and Sparrow Health System.

Examiners also consider unemployment data when evaluating a bank's ability to lend in its AA. Data obtained from the U.S. Bureau of Labor Statistics, as illustrated in the following table, shows

the unemployment rate in Clinton County is consistently beneath state and nationwide averages, while Ingham County is slightly higher. Unemployment rates across the AA peaked in 2020 during the COVID-19 pandemic and have since declined.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Clinton County	4.4	3.8	3.3
Ingham County	5.5	4.3	3.9
State of Michigan	5.7	4.1	3.9
National Average	5.3	3.6	3.6
<i>Source: U.S. Bureau of Labor Statistics</i>			

Examiners use the FFIEC-adjusted median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle-, and upper-income ranges for the AA during the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>Lansing-East Lansing, MI MSA Median Family Income (29620)</b>				
2022 (\$86,800)	<\$43,400	\$43,400 to <\$69,440	\$69,440 to <\$104,160	≥\$104,160
2023 (\$94,400)	<\$47,200	\$47,200 to <\$75,520	\$75,520 to <\$113,280	≥\$113,280
<i>Source: FFIEC</i>				

## **Competition**

Mercantile operates in a moderately competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2024, 19 FDIC-insured financial institutions have \$10.0 billion in deposits and operate 60 offices within the AA. Of these institutions, Mercantile ranked eighth with 3.5 percent of the market share. The top five institutions account for 70.6 percent of the market share.

There is a high level of competition for home mortgage loans. Based on 2023 HMDA aggregate data, 284 lenders originated or purchased 6,034 home mortgage loans in the AA. Mercantile ranked 30<sup>th</sup> with 0.6 percent of the market share. The top five lenders accounted for 43.7 percent of the home mortgage lending market share.

There is also a high level of competition for small business loans. Based on 2023 aggregate lending data, 58 lenders originated 2,659 small business loans in the AA. Mercantile ranked 10<sup>th</sup> with 1.3 percent of the market share. The top five lenders accounted for 69.7 percent of the small business lending market share.



## **CONCLUSIONS ON PERFORMANCE CRITERIA IN LANSING, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA**

### **LENDING TEST**

Mercantile demonstrated adequate performance under the Lending Test in the Lansing AA.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to AA credit needs. During the review period, Mercantile originated 91 home mortgage loans totaling \$31.1 million and 195 small business loans totaling \$51.8 million. The lending volume declined from the prior evaluation when the bank originated 172 home mortgage loans totaling \$35.6 million and 522 small business loans totaling \$106.7 million in this AA. The decline is largely attributed to the end of the PPP and the rising interest rate environment. During the current review period, Mercantile ranked 10<sup>th</sup> for small business loans among lenders that report small business data. Among all reporting home mortgage lenders, Mercantile ranked 30<sup>th</sup> for lending volume in this area.

#### **Geographic Distribution**

Overall, the geographic distribution of loans reflects adequate penetration throughout the AA. Adequate performance in home mortgage lending and good performance in small business lending supports this conclusion.

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

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA, which is entirely supported the bank's performance in the seven low-income tracts. As detailed in the following table, performance in low- income geographies were comparable to HMDA aggregate lending in both years, which is good considering the limited number of low-income tracts and the number of financial institutions competing for home loans. However, performance in moderate-income tracts is significantly below HMDA aggregate lending in 2022 and 2023. The lending performance in moderate-income tracts shows significant room for improvement as the overall volume of lending in relation to the bank's lending capacity is extremely low.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	3.4	3.9	2	3.6	87	0.4
2023	3.4	4.7	1	2.8	65	0.9
Moderate						
2022	16.5	17.8	6	10.9	6,695	28.3
2023	16.5	19.5	3	8.3	449	6.0
Middle						
2022	42.2	42.4	30	54.5	7,589	32.1
2023	42.2	40.8	16	44.4	3,066	40.8
Upper						
2022	37.7	35.6	17	30.9	9,254	39.2
2023	37.7	34.7	16	44.4	3,934	52.3
Not Available						
2022	0.2	0.3	0	0.0	0	0.0
2023	0.2	0.2	0	0.0	0	0.0
Totals						
2022	100.0	100.0	55	100.0	23,624	100.0
2023	100.0	100.0	36	100.0	7,514	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The geographic distribution of small business loans reflects good penetration throughout the AA. The level of lending in low-income tracts increased from 2022 to 2023 with performance levels ending significantly higher than aggregate lending and the business demographic in this income segment. As detailed in the following table, lending levels in moderate-income geographies were more consistent with aggregate lending levels and below the business demographic.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	6.3	6.0	8	8.3	2,170	8.3
2023	6.2	6.0	16	16.2	2,970	11.6
Moderate						
2022	21.3	16.8	14	14.6	5,103	19.5
2023	21.1	17.2	18	18.2	6,014	23.4
Middle						
2022	35.3	35.3	44	45.8	11,318	43.3
2023	35.4	34.0	41	41.4	10,393	40.4
Upper						
2022	32.6	39.6	28	29.2	7,075	27.1
2023	33.0	40.5	20	20.2	5,371	20.9
Not Available						
2022	4.5	2.3	2	2.1	450	1.7
2023	4.4	2.3	4	4.0	950	3.7
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>26,116</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>25,698</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among borrowers of different income levels and businesses of different sizes. Adequate penetration within the more heavily weighted home mortgage segment relative to poor small business lending results supports this conclusion.

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

The distribution of home mortgage loans to borrowers of different income levels, particularly low- and moderate-incomes, reflects adequate penetration, overall. As detailed in the following table, lending levels to low- income borrowers were below HMDA aggregate lending in 2022 and 2023 but considered comparable.

Performance in moderate-income tracts for the institution was again comparable to HMDA aggregate lending in 2022, but significantly trailed aggregate in 2023.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	21.5	12.9	6	10.9	453	1.9
2023	21.5	13.1	4	11.1	252	3.4
Moderate						
2022	16.7	23.9	12	21.8	1,711	7.2
2023	16.7	23.5	5	13.9	642	8.5
Middle						
2022	20.5	22.4	15	27.3	2,318	9.8
2023	20.5	23.5	6	16.7	765	10.2
Upper						
2022	41.4	29.5	17	30.9	5,051	21.4
2023	41.4	28.3	19	52.8	5,415	72.1
Not Available						
2022	0.0	11.3	5	9.1	14,091	59.6
2023	0.0	11.6	2	5.6	440	5.9
Totals						
2022	100.0	100.0	55	100.0	23,624	100.0
2023	100.0	100.0	36	100.0	7,514	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The distribution of small business loans reflects poor penetration to businesses of different sizes. Institution performance is significantly below aggregate lending in 2022 and 2023. While an increasing interest rate environment contributed to the decline in overall loan production from 2022 to 2023, the lending performance shows significant room for improvement as the overall volume of lending in relation to the bank's lending capacity is extremely low.

Although the bank's performance lags the percentage of businesses in the AA that reported GARs of \$1 million or less, it is important to point out that the demographic data includes all businesses in the AA, and not necessarily those businesses that have a need for financing. As such, aggregate data is considered the best comparative factor, as it reflects the actual level of lending by all reporting lenders operating in the AA. The following table illustrates the distribution of small business loans by business size within the AA.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	83.1	49.1	34	35.4	7,163	27.4
2023	84.1	53.8	35	35.4	7,320	28.5
>\$1,000,000						
2022	4.9	--	60	62.5	18,893	72.3
2023	4.5	--	61	61.6	18,167	70.7
Revenue Not Available						
2022	12.1	--	2	2.1	60	0.2
2023	11.4	--	3	3.0	211	0.8
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>26,116</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>25,698</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 and 2023 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Innovative or Flexible Lending Practices**

The institution uses innovative or flexible lending practices in order to serve AA credit needs. Mercantile originated 47 innovative or flexible loans, totaling \$11.6 million. The following table illustrates the volume of lending by product type and year.

Innovative or Flexible Lending Programs										
Type of Program	2021*		2022		2023		2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
FHA	-	-	1	118	3	879	-	-	4	997
Home Possible	5	611	4	278	3	469	5	612	17	1,970
Home Ready	-	-	-	-	-	-	-	-	-	-
RD	-	-	-	-	-	-	-	-	-	-
MSHDA	-	-	1	67	2	218	7	852	10	1,137
Secured CC	-	-	3	3	3	2	2	1	8	6
SBA504	3	3,374	2	2,192	-	-	1	680	6	6,246
SBA 7A	-	-	1	1,213	-	-	-	-	1	1,213
SBA Express	-	-	-	-	-	-	-	-	-	-
Credit Builder	-	-	1	1	-	-	-	-	1	1
<b>Totals</b>	<b>8</b>	<b>3,985</b>	<b>13</b>	<b>3,872</b>	<b>11</b>	<b>1,568</b>	<b>15</b>	<b>2,145</b>	<b>47</b>	<b>11,570</b>
Source: Bank Data, *09/13/2021-12/31/2024										

### **Community Development Loans**

The institution has made an adequate level of community development loans in the AA. The bank originated 14 loans totaling \$47.3 million in this AA, representing 4.8 percent of the community development loans by number volume during the evaluation period. The number and dollar volume of community development lending in this AA significantly increased since the previous evaluation, when the bank originated 13 loans totaling \$25.0 million. The following table shows the bank's community development lending by purpose and year in the AA.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	1	2,077	-	-	-	-	-	-	1	2,077
2022	1	6,200	-	-	3	9,253	1	7,500	5	22,953
2023	-	-	-	-	3	5,000	-	-	3	5,000
2024	-	-	1	3,599	3	7,380	1	6,250	5	17,229
<b>Total</b>	<b>2</b>	<b>8,277</b>	<b>1</b>	<b>3,599</b>	<b>9</b>	<b>21,633</b>	<b>2</b>	<b>13,750</b>	<b>14</b>	<b>47,259</b>
Source: Bank Data, *09/14/2021-12/31/2024										

Examples of the bank's community development loans in this AA are as follows:

- A \$2.1 million loan provided funding for a 35-unit apartment complex located in a low-income census tract.
- A \$6.2 million loan provided funding for a small business located in a moderate-income census tract. The business employs 195 workers with average wages less than or equal to 80 percent area median income.

- A \$2.0 million loan for a small business with 65 employees in a moderate-income census tract. The working capital ensures the business can remain operational and retain jobs.

## **INVESTMENT TEST**

Mercantile demonstrated adequate performance under the Investment Test in the Lansing MSA AA. The bank's level of qualified investments and adequate responsiveness to community development needs support this conclusion.

### **Investment and Grant Activity**

Mercantile has an adequate level of qualified community investments and grants in this AA. During the review period, the bank made or maintained five qualified investments totaling \$2.8 million and 21 donations totaling \$86,000 within the AA. This represents 5.4 percent by number volume and 3.8 percent by dollar volume of the bank's total qualified investment and donation activity. The number and dollar volume of community development investments and donations in this AA increased since the previous evaluation, when the bank made six investments totaling \$1.3 million and 15 donations totaling \$44,000.

Notable examples of community development investments and donations made by the bank in the AA include the following:

- Invested \$263,000 to support affordable housing through mortgage-backed securities collateralized by loans made to low- and moderate-income borrowers.
- Purchased one utility system revenue bond in the amount of \$1.2 million. Funds acquired through the revenue bond will benefit the city of Lansing, which includes low- and moderate-income geographies.
- Made several donations to Habitat for Humanity, which supports affordable housing in the AA.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits adequate responsiveness to credit and community development needs. Investments and grants made were consistent with the needs of the AA. A majority of the qualified investments and grants, by number and dollar volume, supported community services and revitalization and stabilization.

### **Community Development Initiatives**

The institution occasionally uses innovative or complex investments to support community development initiatives. The investments and grants noted above are useful and help promote community development; however, they are generally not innovative or complex by nature.

## **SERVICE TEST**

Mercantile demonstrated adequate performance under the Service Test within the Lansing MSA AA.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the institution's AA. Mercantile operates two branches, one with a drive-thru location, in the AA. Of those two locations, both are in middle-income tracts. In addition to brick-and-mortar locations, Mercantile offers a variety of alternative methods for customers to access banking products and services as previously stated. Both locations have VBM's available Monday through Saturday. The accessibility of delivery systems in this AA is consistent with the bank's overall accessibility.

### **Changes in Branch Locations**

To the extent changes have been made, the institution's opening and closing of branches in this AA has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.

During the review period, Mercantile closed one branch office in this AA in a middle-income census tract on June 16, 2023, and relocated 1.2 miles south to 3001 Coolidge Road. The former location is a three-story building with 28,000 square feet of office space and the size of the facility far exceeded the bank's needs. The new location is 11,500 square feet and closer to the more trafficked intersection of Lake Lansing Road and Coolidge Road. The new location has reduced operating expenses by 45 percent and better fits the current needs in the Lansing market. Customer impact as a result of the relocation was minimal given the close proximity of the former and new location.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies or individuals. Operating hours and services do not vary significantly and are similar to the hours and services offered by other banks within this AA. In this AA, one of the two branches is not open on Saturdays, but both VBM's are open on Saturday, and both are in middle-income census tracts. The reasonableness of business hours and services in this AA is consistent with the bank's overall business hours and services.



## **Community Development Services**

Mercantile provides an adequate level of community development services. The institution provided 145 qualified services within the AA, which represents 12.3 percent of the total services during the evaluation period. The bank's performance in the AA increased since the previous evaluation, when it provided 33 qualified community development services in the AA. This increase is largely attributed to COVID-19 pandemic restrictions expiring, allowing the bank to provide community development services in-person.

Bank employees provided financial literacy courses that accounted for more than 256 hours of employee time (each class counted as an instance) and impacted nearly 981 residents and students throughout the AA. Bank employees provided 13 instances of services and over 309 hours by serving on boards or committees. The following table provides a summary of the qualifying community development services bank personnel engaged in since the previous evaluation.

<b>Community Development Services</b>					
<b>Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Total</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2021 (Partial)	1	1	-	-	<b>2</b>
2022	26	4	1	-	<b>31</b>
2023	39	10	1	-	<b>50</b>
2024	43	18	1	-	<b>62</b>
<b>Total</b>	<b>109</b>	<b>33</b>	<b>3</b>	<b>-</b>	<b>145</b>
<i>Source: Bank Data</i>					

The following table details notable examples of the community development services bank personnel provided during the evaluation period within the AA.

Community Development Services				
Brief Service Description	Community Development Purpose	Bank Sponsored Event, Program or Seminar	Technical Assistance or Direct Involvement by Bank Employee	Bank Product or Service
Capital Area Housing – Capital Area Housing is an affordable housing provider that receives Commonly Developed Block Grant funding to provide down payment assistance, homebuyer education classes, home repair services, and foreclosure and rental counseling. Bank provides information regarding the mortgage process for the homebuyer education program. <i>Bank employees provided seminars.</i>	Affordable Housing	2021-2024		
Boys and Girls Club - Organization provides services to disadvantaged youth. Programs include summer and after school programs consisting of field trips, physical fitness, and recreational and education activities. <i>Bank commercial loan manager served on the Board.</i>	Community Service		2021-2024	
Clinton County Economic Alliance - Provides life skills, employment services, and rehabilitation services for low- and moderate-income individuals and families dealing with homelessness. <i>Bank commercial loan manager served on the Board.</i>	Economic Development		2022-2024	
Source: Bank Records				

## TRAVERSE CITY, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE TRAVERSE CITY, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA

The bank’s Traverse AA consists of the entirety of Grand Traverse County, which is in the Traverse City, Michigan MSA. Prior to 2024, Grand Traverse County was part of the Michigan Non-MSA. Therefore, examiners used non-MSA demographic and income comparators as separate data is not available as of this evaluation. Mercantile operates one branch in this AA, equipped with a VBM. Traverse City is a new AA for Mercantile as the bank did not maintain deposit operations in Grand Traverse County until July 13, 2023. The bank opened its one branch in a middle-income census tract. The AA accounts for 0.3 percent of the bank’s total deposits as of June 30, 2024. Relative to the loans originated in the AAs, the bank originated 1.7 percent of home mortgage loans and 1.0 percent of small business loans by number volume within this AA.

## **Economic and Demographic Data**

Based on 2020 U.S. Census data, this AA contains 24 census tracts with the following income designations: zero low-income; three moderate-income; seven middle-income; and 13 upper-income. The AA also contains one tract with no income designation. The following table illustrates select economic and demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	0.0	12.5	29.2	54.2	4.2
Population by Geography	95,238	0.0	8.3	32.2	59.5	0.0
Housing Units by Geography	44,492	0.0	7.8	31.9	60.3	0.0
Owner-Occupied Units by Geography	29,020	0.0	5.3	30.2	64.5	0.0
Occupied Rental Units by Geography	8,919	0.0	18.5	36.8	44.6	0.0
Vacant Units by Geography	6,553	0.0	4.5	32.7	62.7	0.0
Businesses by Geography	11,314	0.0	8.5	36.1	55.4	0.0
Farms by Geography	434	0.0	4.4	33.9	61.8	0.0
Family Distribution by Income Level	23,706	13.1	14.2	19.2	53.4	0.0
Household Distribution by Income Level	37,939	16.2	14.6	16.2	52.9	0.0
Median Family Income Non-MSAs - MI		\$64,965	Median Housing Value			\$233,743
			Median Gross Rent			\$961
			Families Below Poverty Level			6.4%
Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (* ) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares the bank's home mortgage lending to the distribution of owner-occupied housing units in the AA by census tract income level. Based on 2020 U.S. Census data, the AA contains 44,492 housing units of which 65.2 percent are owner-occupied, 20.0 percent are occupied rental units, and 14.7 percent are vacant.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of lending by GAR level.

Examiners also consider unemployment data when evaluating a bank's ability to lend in its AAs. Data obtained from the U.S. Bureau of Labor Statistics, as illustrated in the following table, shows the unemployment rates within the AA declined from 2021 to 2023. Unemployment rates within the AA consistently trailed state and nationwide rates.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Grand Traverse County	4.9	3.7	3.4
State of Michigan	5.7	4.1	3.9
National Average	5.3	3.6	3.6
Source: U.S. Bureau of Labor Statistics			

Examiners use the FFIEC-adjusted median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle-, and upper-income ranges for the AA during the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
MI NA Median Family Income (99999)				
2022 (\$71,500)	<\$35,750	\$35,750 to <\$57,200	\$57,200 to <\$85,800	≥\$85,800
2023 (\$79,800)	<\$39,900	\$39,900 to <\$63,840	\$63,840 to <\$95,760	≥\$95,760
Source: FFIEC				

## **Competition**

Mercantile operates in a moderately competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2024, 12 FDIC-insured financial institutions have \$3.7 billion in deposits and operate 26 offices within the AA. Of these institutions, Mercantile ranks 12<sup>th</sup> with 0.3 percent of the market share. The top five institutions account for 87.2 percent of the market share.

There is a high level of competition for home mortgage loans. Based on 2023 HMDA aggregate data, 173 lenders originated or purchased 1,938 home mortgage loans in the AA. Mercantile ranked 14<sup>th</sup> with 1.1 percent of the market share. The top five lenders accounted for 48.9 percent of the home mortgage lending market share.

There is also a high level of competition for small business loans. Based on 2023 aggregate lending data, 46 lenders originated or purchased 1,267 small business loans in the AA. Mercantile ranked 13<sup>th</sup> with 0.6 percent of the market share. The top five lenders accounted for 78.3 percent of the small business lending market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN TRAVERSE CITY, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA**

### **LENDING TEST**

Mercantile demonstrated adequate performance under the Lending Test in the Traverse AA.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to AA credit needs. As stated earlier, this AA is new since the previous evaluation. Grand Traverse County was part of the non-MSA until 2024, after which it became the Traverse City, MI. MSA. During the review period, Mercantile originated 51 home mortgage loans totaling \$19.4 million and 11 small business loans totaling \$4.4 million. Mercantile ranked 13<sup>th</sup> for small business loans among lenders that report small business lending data. Among all reporting home mortgage lenders, Mercantile ranked 14<sup>th</sup> in lending volume in this AA.

#### **Geographic Distribution**

Overall, the geographic distribution of loans reflects adequate penetration throughout the AA. Good home mortgage lending performance and poor small business lending performance support this conclusion. As previously stated, home mortgage lending received the greatest weight in the analysis.

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

Overall, the geographic distribution of home mortgage loans reflects good penetration throughout the AA. The following table illustrates the geographic distribution of home mortgage loans and includes the aggregate performance of other HMDA-reporting institutions.

Mercantile's performance in moderate-income tracts was below aggregate performance in 2022. However, the bank did not add Grand Traverse County as an AA until the branch opened in 2023, in which its performance exceeded aggregate. There are only three moderate-income tracts in this AA, which makes it more difficult to make loans in this geography given the number of opportunities and competition.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2022	5.3	5.3	1	3.4	100	0.9
2023	5.3	6.6	2	9.1	506	5.9
Middle						
2022	30.2	28.0	11	37.9	2,856	26.4
2023	30.2	29.4	4	18.2	1,156	13.4
Upper						
2022	64.5	66.7	17	58.6	7,878	72.7
2023	64.5	64.0	16	72.7	6,954	80.7
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
Totals						
2022	100.0	100.0	29	100.0	10,834	100.0
2023	100.0	100.0	22	100.0	8,616	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

Overall, the geographic distribution of small business loans reflects poor penetration throughout the Traverse AA. The following table illustrates the geographic distribution of small business loans throughout the AA. The bank did not originate any loans to small businesses in moderate-income tracts in either 2022 or 2023, which is significantly below aggregate lending and the demographic.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2022	8.7	8.1	0	0.0	0	0.0
2023	8.5	8.8	0	0.0	0	0.0
Middle						
2022	36.5	36.2	6	60.0	1,321	58.8
2023	36.1	34.5	5	45.5	1,339	59.9
Upper						
2022	54.8	55.7	4	40.0	925	41.2
2023	55.4	56.7	6	54.5	895	40.1
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>2,246</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>2,234</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

## **Borrower Profile**

Overall, the distribution of borrowers reflects adequate penetration among retail customers of different income levels and business customers of different sizes. This conclusion is supported by poor home mortgage lending performance and good small business lending performance.

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

The distribution of home mortgage loans to individuals of differing income levels, including low- and moderate-income borrowers, reflects poor penetration within the AA. The following table illustrates the distribution of home mortgage loans by borrower income level throughout the AA. The bank did not originate any home mortgage loans to low- or moderate-income borrowers in 2022 or 2023.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	13.1	4.1	0	0.0	0	0.0
2023	13.1	3.2	0	0.0	0	0.0
Moderate						
2022	14.2	14.4	0	0.0	0	0.0
2023	14.2	14.4	0	0.0	0	0.0
Middle						
2022	19.2	21.5	5	17.2	831	7.7
2023	19.2	22.2	5	22.7	1,077	12.5
Upper						
2022	53.4	51.6	23	79.3	9,724	89.8
2023	53.4	51.0	17	77.3	7,539	87.5
Not Available						
2022	0.0	8.3	1	3.4	280	2.6
2023	0.0	9.2	0	0.0	0	0.0
Totals						
2022	100.0	100.0	29	100.0	10,834	100.0
2023	100.0	100.0	22	100.0	8,616	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

Overall, the distribution of small business loans reflects good penetration to businesses of different sizes. The following table illustrates the distribution of small business loans by business size within the Traverse AA.



Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	85.5	54.1	4	40.0	1,611	71.7
2023	85.9	57.7	8	72.7	1,784	79.9
>\$1,000,000						
2022	5.1	--	6	60.0	635	28.3
2023	4.8	--	1	9.1	250	11.2
Revenue Not Available						
2022	9.4	--	0	0.0	0	0.0
2023	9.3	--	2	18.2	200	9.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>2,246</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>2,234</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Innovative or Flexible Lending Practices**

The institution uses innovative or flexible lending practices to serve AA credit needs. Mercantile funded seven innovative or flexible loans totaling \$2.1 million.

### **Community Development Loans**

Mercantile has made an adequate level of community development loans in the AA. The bank originated one community development loan totaling \$8.5 million, representing less than one percent of the community development loans by number volume during the evaluation period. The loan proceeds were used for the construction of a 44-unit affordable housing complex.

### **INVESTMENT TEST**

Mercantile demonstrated adequate performance under the Investment Test in the Traverse AA. The bank's level of qualified investments and adequate responsiveness to community development needs support this conclusion.

### **Investment and Grant Activity**

Mercantile has an adequate level of qualified community investments and grants in this AA. During the review period, the bank made or maintained four qualified investments totaling \$664,000. The bank did not make any donations. This represents less than one percent by number

and dollar volume of the bank's total qualified investment and donation activity. All four of the qualified investments were municipal school bonds that benefited a school where more than 50 percent of the students are eligible for the free and reduced-price lunch program.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits adequate responsiveness to credit and community development needs. Investments and grants made were consistent with the needs of the AA. All the qualified investments supported community services.

### **Community Development Initiatives**

The institution occasionally uses innovative or complex investments to support community development initiatives. The investments and grants noted above are useful and help promote community development; however, they are generally not innovative or complex by nature.

### **SERVICE TEST**

Mercantile demonstrated adequate performance under the Service Test in the Traverse AA. The accessibility of delivery systems and reasonableness of business hours and services carried the weight for services in this AA. It is worth noting that the service hours for VBM's are slightly broader given they are open one hour before the lobby opens and one hour after the lobby closes. The level of community services in this AA shows a need for improvement.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to essentially all portions of the institution's AA. Mercantile operates one branch (with a VBM) by appointment only for lending in the AA. The branch is in a middle-income census tract. As discussed previously, Mercantile offers a variety of alternative methods for customers to access banking products and services in addition to brick and mortar locations. The accessibility of delivery systems in this AA is consistent with the bank's overall accessibility.

### **Changes in Branch Locations**

On July 13, 2023, the bank opened the Traverse branch in a middle-income census tract which is the only branch in this AA. The branch consists of a VBM which is open during the week and on Saturdays and by appointment only for lending services. This is a new AA for Mercantile.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of the AA, particularly low- and moderate-income geographies or individuals. Operating hours and services do not vary significantly and are similar to the hours and services offered by other banks within this

AA. In this AA, the VBM-only location is open on Saturdays. The reasonableness of business hours and services in this AA is consistent with the bank’s overall business hours and services.

**Community Development Services**

Mercantile did not provide any services in the review period.

**MIDLAND, MI METROPOLITAN STATISTICAL AREA ASSESSMENT  
AREA – Full-Scope Review**

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN MIDLAND, MI  
METROPOLITAN STATISTICAL AREA ASSESSMENT AREA**

The bank’s Midland AA consists of the entirety of Midland County, located in the Midland, Michigan MSA. Mercantile operates one branch, which was opened in 2023, in this AA. The AA accounts for less than 0.1 percent of the bank’s total deposits as of June 30, 2024. Relative to the total loans made in all its AAs, the bank originated 1.8 percent of home mortgage loans and 1.0 percent of small business loans by number volume within this AA.

**Economic and Demographic Data**

Based on 2020 U.S. Census data, this AA contains 21 census tracts with the following income designations: one low-income; four moderate-income; 12 middle-income; and four upper-income. The following table illustrates select economic and demographic characteristics of the AA.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	21	4.8	19.0	57.1	19.0	0.0
Population by Geography	83,494	2.8	18.4	54.8	24.0	0.0
Housing Units by Geography	37,065	2.8	20.6	53.6	23.0	0.0
Owner-Occupied Units by Geography	26,466	2.2	16.5	58.9	22.4	0.0
Occupied Rental Units by Geography	7,787	4.4	30.9	36.3	28.4	0.0
Vacant Units by Geography	2,812	3.9	31.0	51.6	13.5	0.0
Businesses by Geography	5,689	6.1	19.8	45.8	28.3	0.0
Farms by Geography	236	0.8	19.1	62.7	17.4	0.0
Family Distribution by Income Level	23,057	19.8	18.1	22.0	40.0	0.0
Household Distribution by Income Level	34,253	23.9	16.0	18.4	41.7	0.0
Median Family Income MSA - 33220 Midland, MI MSA		\$79,062	Median Housing Value			\$144,006
			Median Gross Rent			\$830
			Families Below Poverty Level			7.2%
Source: 2020 U.S. Census and 2023 D&B Data Due to rounding, totals may not equal 100.0% (* ) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares the bank's home mortgage lending to the distribution of owner-occupied housing units in the AA by census tract income level. Based on 2020 U.S. Census data, the AA contains 37,065 housing units of which 71.4 percent are owner-occupied, 22.2 percent are occupied rental units, and 7.6 percent are vacant.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of lending by GAR level. According to 2023 D&B data, the AA contains 5,689 non-farm businesses.

D&B data from 2023 shows the largest industries in the AA are services (44.7 percent); retail trade (12.9 percent); non-classifiable establishments (10.2 percent); finance, insurance, and real estate (8.3 percent); and construction (7.8 percent). In addition, 88.4 percent of the businesses operate from a single location, and 69.0 percent have four or fewer employees. Major employers in the AA include Meijer, Dow, DuPont, Corteva Agriscience, and Greater Midland.

Examiners also consider unemployment data when evaluating a bank's ability to lend in its AAs. Data obtained from the U.S. Bureau of Labor Statistics, as illustrated in the following table, shows the unemployment rates within the AA has declined throughout the review period, albeit at a slower rate than the state and nation. As a result, while the AA's unemployment rate was lower than that of the state and nation broadly in 2021, it has since become higher.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Midland County	4.8	4.2	4.0
State of Michigan	5.7	4.1	3.9
National Average	5.3	3.6	3.6
Source: U.S. Bureau of Labor Statistics			

Examiners use the FFIEC-adjusted median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle-, and upper-income ranges for the AA during the evaluation period.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Midland, MI MSA Median Family Income (33220)				
2022 (\$94,200)	<\$47,100	\$47,100 to <\$75,360	\$75,360 to <\$113,040	≥\$113,040
2023 (\$95,300)	<\$47,650	\$47,650 to <\$76,240	\$76,240 to <\$114,360	≥\$114,360
Source: FFIEC				

## **Competition**

Mercantile operates in a moderately competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2024, eight FDIC-insured financial institutions have \$1.1 billion in deposits and operate 15 offices within the AA. Of these institutions, Mercantile ranks eighth with less than 0.1 percent of the market share. The top five institutions account for 92.8 percent of the market share.

There is a moderate level of competition for home mortgage loans. Based on 2023 HMDA aggregate data, 164 lenders originated or purchased 1,544 home mortgage loans in the AA. Mercantile ranked 17<sup>th</sup> with 1.4 percent of the market share. The top five lenders accounted for 37.5 percent of the home mortgage lending market share.

There is also a moderate level of competition for small business loans. Based on 2023 aggregate lending data, 34 lenders originated 703 small business loans in the AA. Mercantile ranked 13<sup>th</sup> with 1.4 percent of the market share. The top five lenders accounted for 70.1 percent of the small business lending market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MIDLAND, MI METROPOLITAN STATISTICAL AREA ASSESSMENT AREA**

### **LENDING TEST**

Mercantile demonstrated adequate performance under the Lending Test.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to AA credit needs. This AA represents Mercantile's newest and currently the smallest market for the bank. Mercantile opened a new branch in this AA in August 2023. During the review period, Mercantile originated 70 home mortgage loans totaling \$21.4 million and 25 small business loans totaling \$4.2 million. During the current review period, Mercantile ranked 13<sup>th</sup> for small business loans among lenders that report small business lending data. Among all reporting home mortgage lenders, Mercantile ranked 17<sup>th</sup> for lending volume in this area.

#### **Geographic Distribution**

Overall, the geographic distribution of loans reflects adequate penetration throughout the AA. Examiners considered the bank's late entry into this market (August 2023), staffing shortages, and level of competition in this market, which supported adequate performance for home mortgage and small business lending during the evaluation period.

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

The geographic distribution of home mortgage loans reflects adequate penetration throughout the AA. As detailed in the following table, performance in low-income geographies was comparable to HMDA aggregate lending and area demographics in both years. While the bank did not originate any loans in a low-income tract in 2023, examiners noted that there is only one low-income tract in this AA and HMDA aggregate performance suggests very low demand in this tract. In 2022, the bank's performance exceeded the aggregate performance and the demographic but trailed the aggregate and demographic in 2023. Staffing challenges contributed to the decline in overall loan production from 2022 to 2023.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	2.2	2.3	1	2.1	117	0.7
2023	2.2	1.7	0	0.0	0	0.0
Moderate						
2022	16.5	18.6	16	33.3	4,140	25.0
2023	16.5	18.1	3	13.6	326	6.6
Middle						
2022	58.9	55.7	25	52.1	8,454	51.0
2023	58.9	58.4	16	72.7	3,312	67.3
Upper						
2022	22.4	23.5	6	12.5	3,853	23.3
2023	22.4	21.7	3	13.6	1,287	26.1
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
Totals						
2022	100.0	100.0	48	100.0	16,564	100.0
2023	100.0	100.0	22	100.0	4,924	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

During the review period, the bank did not originate any small business loans in low-income tracts. In 2022, the bank's performance in moderate-income tracts slightly exceeded the aggregate performance, but declined in 2023 with no loan originations. However, this is a new AA for the institution that has been in this market for less than two years and performance is considered adequate.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	6.1	4.8	0	0.0	0	0.0
2023	6.1	3.8	0	0.0	0	0.0
Moderate						
2022	20.1	18.6	3	21.4	463	16.1
2023	19.8	17.5	0	0.0	0	0.0
Middle						
2022	45.7	49.1	5	35.7	250	8.7
2023	45.8	53.4	10	90.9	1,324	99.6
Upper						
2022	28.2	27.4	6	42.9	2,171	75.3
2023	28.3	25.3	1	9.1	5	0.4
Not Available						
2022	0.0	0.0	0	0.0	0	0.0
2023	0.0	0.0	0	0.0	0	0.0
Totals						
2022	100.0	100.0	14	100.0	2,884	100.0
2023	100.0	100.0	11	100.0	1,329	100.0
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

## **Borrower Profile**

Overall, the distribution of borrowers reflects adequate penetration among customers of different income levels and businesses customers of different sizes. Given the bank's late entry into this market (August 2023), staffing shortages, and level of competition in this market, the bank's small home mortgage and small business lending performance is considered adequate.

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

The distribution of home mortgage loans to individuals of differing income levels, including low- and moderate-income borrowers, reflects adequate penetration. As detailed in the following table, lending levels to low-income borrowers was poor in 2022, but significantly better than the aggregate lending performance in 2023. According to the 2020 U.S. Census, a total of 7.2 percent of families in the AA live below the poverty level. The ability to qualify for a home mortgage loan, particularly under conventional financing would be challenging, which limits the demand and opportunity to lend to these lower-income families. Despite the challenges penetrating this market segment, Mercantile's lending levels were adequate, overall.



Lending to moderate-income borrowers was comparable to the aggregate lending performance and the demographic in 2022 but declined to a level significantly below aggregate performance and the demographic in 2023.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	19.8	15.6	5	10.4	634	3.8
2023	19.8	12.5	4	18.2	254	5.1
Moderate						
2022	18.1	23.5	11	22.9	1,824	11.0
2023	18.1	24.8	2	9.1	368	7.5
Middle						
2022	22.0	21.9	9	18.8	1,744	10.5
2023	22.0	20.8	6	27.3	1,241	25.2
Upper						
2022	40.0	26.4	22	45.8	12,242	73.9
2023	40.0	28.5	8	36.4	2,652	53.8
Not Available						
2022	0.0	12.5	1	2.1	120	0.7
2023	0.0	13.5	2	9.1	411	8.3
Totals						
2022	100.0	100.0	48	100.0	16,564	100.0
2023	100.0	100.0	22	100.0	4,925	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

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

The distribution of small business loans reflects excellent penetration to businesses of different sizes. The following table illustrates the distribution of small business loans by business size within the Midland AA.

Bank performance in lending to businesses with GARs of \$1.0 million or less considerably exceeded aggregate in 2022 and 2023.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	83.4	57.2	9	64.3	1,042	36.1
2023	83.8	62.1	10	90.9	1,229	92.5
>\$1,000,000						
2022	5.0	--	5	35.7	1,842	63.9
2023	4.9	--	1	9.1	100	7.5
Revenue Not Available						
2022	11.6	--	0	0.0	0	0.0
2023	11.3	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>2,884</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>1,329</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

### **Innovative or Flexible Lending Practices**

The institution occasionally uses innovative or flexible lending practices in order to serve AA credit needs. Mercantile originated 22 innovative or flexible loans, totaling \$3.2 million. The following table illustrates the volume of lending by product type and year.

Innovative or Flexible Lending Programs										
Type of Program	2021*		2022		2023		2024		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
FHA	2	320	1	117	1	147	3	660	7	1,244
Home Possible	1	174	-	-	1	24	2	237	4	435
Home Ready	-	-	-	-	-	-	-	-	-	-
RD	-	-	-	-	-	-	-	-	-	-
MSHDA	-	-	3	488	1	218	6	811	10	1,517
Secured CC	-	-	-	-	-	-	1	1	1	1
SBA504	-	-	-	-	-	-	-	-	-	-
SBA 7A	-	-	-	-	-	-	-	-	-	-
SBA Express	-	-	-	-	-	-	-	-	-	-
Credit Builder	-	-	-	-	-	-	-	-	-	-
<b>Totals</b>	<b>3</b>	<b>494</b>	<b>4</b>	<b>605</b>	<b>3</b>	<b>389</b>	<b>12</b>	<b>1,709</b>	<b>22</b>	<b>3,197</b>
Source: Bank Data, *9/13/2021-12/31/2024										

### **Community Development Loans**

Mercantile has made an adequate level of community development loans in the AA. The bank originated one community development loan totaling \$4.3 million, representing less than one percent of the community development loans by number volume originated during the evaluation period. The loan proceeds were used for the construction of a local business in a moderate-income tract and created low- and moderate-income job opportunities in the area.

### **INVESTMENT TEST**

Mercantile's performance is considered adequate during this evaluation period considering this is a new AA for the bank and the limited amount of time from market entry and the evaluation.

### **Investment and Grant Activity**

The institution has an adequate level of qualified community development investments and grants particularly those that are not routinely provided by private investors. During the review period, the bank made one qualified donation for approximately \$3,000. The donation represents less than one percent of the bank's total investment and grant activity during the evaluation period.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits poor responsiveness to credit and community development needs, which is due largely to being in a new AA and the limited time of operations for the bank.

### **Community Development Initiatives**

The institution rarely uses innovative or complex investments to support community development initiatives.

### **SERVICE TEST**

Mercantile demonstrated adequate performance under the Service Test in the Midland AA. The conclusion is supported by the bank's location in a moderate-income tract, accessibility of delivery systems (VBM), and the bank entering this market in August 2023.

### **Accessibility of Delivery Systems**

Delivery systems are accessible to all portions of the institution's AA. Mercantile operates one branch by appointment only, and a VBM location in the AA. The branch is in a moderate-income geography. As discussed previously, Mercantile offers a variety of alternative methods for customers to access banking products and services in addition to brick-and-mortar locations. The accessibility of delivery systems in this AA is consistent with the bank's overall accessibility.

### **Changes in Branch Locations**

As previously discussed, the bank opened the Midland branch in 2023 in a moderate-income census tract which is the only branch in this AA. This a new AA for Mercantile.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences certain portions of the AA, particularly low- and moderate-income geographies and/or individuals. Operating hours and services do not vary significantly and are similar to the hours and services offered by other banks within this AA. In this AA, the VBM-only location is open on Saturdays. The reasonableness of business hours and services in this AA is consistent with the bank's overall business hours and services.

### **Community Development Services**

Mercantile did not provide any services in the review period.

## **OTHER ASSESSMENT AREAS – Limited-Scope Review**

### **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED- SCOPE REVIEW ASSESSMENT AREAS**

The following table summarizes the conclusion for the AAs reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution's CRA performance

from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. Performance in the limited-scope AAs was generally consistent with the bank’s performance noted in the full-scope reviews of the other AAs located in Michigan.

Assessment Area	Lending Test	Investment Test	Service Test
Kalamazoo, MI MSA	Consistent	Below	Consistent
Troy, MI MSA	Consistent	Above	Consistent
Saginaw, MI MSA	Consistent	Consistent	Consistent

Facts and data that support conclusions for the limited-scope AA is included in this section, beginning with a summary of Mercantile’s operations and activities in each area. Additional demographic data and information on the geographic and borrower distributions on small business, and home mortgage loans for each of these AAs is in the appendix.

#### ***Kalamazoo, MI MSA***

The Kalamazoo AA includes all of Kalamazoo County (Kalamazoo-Portage, MI MSA). Mercantile operates three offices in this AA. Branch distribution and alternative delivery systems in this AA are consistent with overall bank performance. Service hours and loan and deposit products are convenient to the area, including low- and moderate-income geographies and individuals. The table below summarizes the bank’s lending and community development activities in this AA during the evaluation period.

CRA Activity – Kalamazoo AA		
Activity	#	\$ (000s)
Small Business Loans (2022 and 2023)	180	\$57,906
Home Mortgage Loans (2022 and 2023)	131	\$39,396
Community Development Loans	17	\$56,266
Investments (New)	2	\$2,687
Investments (Prior Period)	7	\$1,960
Donations	29	\$111
Community Development Services	78	-
<i>Source: Bank Data</i>		

## Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	2.8	3.8	0	0.0	0	0.0
2023	2.8	3.7	4	7.3	411	3.4
Moderate						
2022	18.4	20.7	14	18.4	1,713	6.3
2023	18.4	20.5	9	16.4	1,362	11.1
Middle						
2022	42.6	38.9	30	39.5	7,609	28.0
2023	42.6	40.5	15	27.3	2,837	23.2
Upper						
2022	36.0	36.5	32	42.1	17,831	65.7
2023	36.0	34.8	25	45.5	7,533	61.5
Not Available						
2022	0.1	0.2	0	0.0	0	0.0
2023	0.1	0.5	2	3.6	100	0.8
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>76</b>	<b>100.0</b>	<b>27,153</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>55</b>	<b>100.0</b>	<b>12,243</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, 2022 &amp; 2023 HMDA Aggregate Data, "--" data not available.  Due to rounding, totals may not equal 100.0%</i>						

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	6.6	7.8	11	12.8	3,746	13.6
2023	6.7	5.6	9	9.6	2,437	8.0
Moderate						
2022	18.1	16.9	15	17.4	5,026	18.3
2023	18.1	16.1	9	9.6	2,964	9.7
Middle						
2022	40.0	38.9	28	32.6	8,610	31.3
2023	39.6	39.3	37	39.4	13,869	45.6
Upper						
2022	34.8	36.3	32	37.2	10,090	36.7
2023	35.1	38.8	39	41.5	11,164	36.7
Not Available						
2022	0.5	0.2	0	0.0	0	0.0
2023	0.5	0.2	0	0.0	0	0.0
Totals						
2022	100.0	100.0	86	100.0	27,472	100.0
2023	100.0	100.0	94	100.0	30,434	100.0
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	21.5	12.1	5	6.6	408	1.5
2023	21.5	11.6	8	14.5	913	7.5
Moderate						
2022	18.3	21.9	14	18.4	1,739	6.4
2023	18.3	23.2	11	20.0	1,711	14.0
Middle						
2022	19.7	21.9	11	14.5	1,429	5.3
2023	19.7	23.1	13	23.6	2,077	17.0
Upper						
2022	40.5	31.4	41	53.9	13,849	51.0
2023	40.5	31.4	22	40.0	5,942	48.5
Not Available						
2022	0.0	12.7	5	6.6	9,728	35.8
2023	0.0	10.6	1	1.8	1,600	13.1
Totals						
2022	100.0	100.0	76	100.0	27,153	100.0
2023	100.0	100.0	55	100.0	12,243	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						



Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	82.7	50.0	25	29.1	6,822	24.8
2023	83.4	50.5	26	27.7	5,225	17.2
>\$1,000,000						
2022	5.8	--	59	68.6	20,575	74.9
2023	5.4	--	66	70.2	24,390	80.1
Revenue Not Available						
2022	11.5	--	2	2.3	75	0.3
2023	11.2	--	2	2.1	819	2.7
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>86</b>	<b>100.0</b>	<b>27,472</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>94</b>	<b>100.0</b>	<b>30,434</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

### ***Troy, MI MSA***

The Troy MSA AA includes Oakland County, Michigan, in its entirety. Mercantile operates one office in this AA. Branch distribution and alternative delivery systems in this AA are consistent with overall bank performance. Service hours and loan and deposit products are convenient to the area, including low- and moderate-income geographies and individuals. The table below summarizes the bank's lending and community development activities in this AA during the evaluation period.

CRA Activity – Troy MSA AA		
Activity	#	\$ (000s)
Small Business Loans (2022 and 2023)	61	\$15,294
Home Mortgage Loans (2022 and 2023)	39	\$19,799
Community Development Loans	22	\$80,642
Investments (New)	4	\$2,974
Investments (Prior Period)	10	\$4,883
Donations	16	\$79
Community Development Services	18	-
Source: Bank Data		

## Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	1.8	1.7	0	0.0	0	0.0
2023	1.8	2.2	0	0.0	0	0.0
Moderate						
2022	11.9	12.3	1	3.4	405	2.3
2023	11.9	13.7	1	10.0	167	7.7
Middle						
2022	35.2	35.4	4	13.8	654	3.7
2023	35.2	35.3	1	10.0	247	11.5
Upper						
2022	51.2	50.6	24	82.8	16,586	94.0
2023	51.2	48.7	8	80.0	1,740	80.8
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>17,645</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>2,154</b>	<b>100.0</b>
<i>Source: 2020 U.S. Census; Bank Data, 2022 &amp; 2023 HMDA Aggregate Data, "--" data not available.            Due to rounding, totals may not equal 100.0%</i>						

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	4.5	4.4	1	3.4	50	0.7
2023	4.5	3.9	1	3.1	284	3.6
Moderate						
2022	13.2	13.1	6	20.7	2,440	33.4
2023	13.1	13.0	5	15.6	2,937	36.8
Middle						
2022	31.9	32.0	13	44.8	3,068	42.0
2023	31.8	31.8	15	46.9	1,833	23.0
Upper						
2022	49.5	49.7	9	31.0	1,750	23.9
2023	49.6	50.5	11	34.4	2,932	36.7
Not Available						
2022	1.0	0.8	0	0.0	0	0.0
2023	0.9	0.8	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>7,308</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>7,986</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	16.6	9.8	0	0.0	0	0.0
2023	16.6	9.2	2	20.0	338	15.7
Moderate						
2022	15.2	20.3	0	0.0	0	0.0
2023	15.2	19.2	1	10.0	247	11.5
Middle						
2022	20.5	23.2	5	17.2	1,195	6.8
2023	20.5	22.3	0	0.0	0	0.0
Upper						
2022	47.7	36.5	24	82.8	16,450	93.2
2023	47.7	38.9	7	70.0	1,569	72.9
Not Available						
2022	0.0	10.2	0	0.0	0	0.0
2023	0.0	10.3	0	0.0	0	0.0
Totals						
2022	100.0	100.0	29	100.0	17,645	100.0
2023	100.0	100.0	10	100.0	2,154	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	87.4	48.3	7	24.1	1,940	26.5
2023	87.9	50.5	10	31.3	2,203	27.6
>\$1,000,000						
2022	5.2	--	20	69.0	5,168	70.7
2023	4.9	--	22	68.8	5,783	72.4
Revenue Not Available						
2022	7.4	--	2	6.9	200	2.7
2023	7.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2022</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>7,308</b>	<b>100.0</b>
<b>2023</b>	<b>100.0</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>7,986</b>	<b>100.0</b>
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

### ***Saginaw, MI MSA***

The Saginaw MSA AA includes all of Saginaw County, Michigan. Mercantile operates three offices in this AA. Branch distribution and alternative delivery systems in this AA are consistent with overall bank performance. Service hours and loan and deposit products are convenient to the area, including low- and moderate-income geographies and individuals. The table below summarizes the bank's lending and community development activities in this AA during the evaluation period.

CRA Activity – Saginaw MSA AA		
Activity	#	\$ (000s)
Small Business Loans (2022 and 2023)	45	\$12,533
Home Mortgage Loans (2022 and 2023)	61	\$26,810
Community Development Loans	-	-
Investments (New)	5	\$2,363
Investments (Prior Period)	5	\$1,616
Donations	4	\$8
Community Development Services	30	-
Source: Bank Data		

## Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	2.8	1.1	1	3.0	63	1.2
2023	2.8	1.4	0	0.0	0	0.0
Moderate						
2022	21.3	18.7	6	18.2	745	14.7
2023	21.3	20.7	6	21.4	614	2.8
Middle						
2022	34.3	34.3	16	48.5	2,463	48.5
2023	34.3	34.1	15	53.6	19,423	89.4
Upper						
2022	41.7	45.9	10	30.3	1,803	35.5
2023	41.7	43.9	7	25.0	1,698	7.8
Totals						
2022	100.0	100.0	33	100.0	5,075	100.0
2023	100.0	100.0	28	100.0	21,735	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	3.9	3.7	0	0.0	0	0.0
2023	3.8	2.5	0	0.0	0	0.0
Moderate						
2022	27.3	23.0	3	20.0	397	8.9
2023	27.3	22.8	8	26.7	2,358	29.3
Middle						
2022	30.1	31.7	6	40.0	1,719	38.4
2023	29.9	31.3	5	16.7	1,665	20.7
Upper						
2022	38.7	41.6	6	40.0	2,365	52.8
2023	39.0	43.5	17	56.7	4,029	50.0
Totals						
2022	100.0	100.0	15	100.0	4,481	100.0
2023	100.0	100.0	30	100.0	8,052	100.0
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	20.7	10.1	5	15.2	466	9.2
2023	20.7	7.7	4	14.3	221	1.0
Moderate						
2022	17.7	22.4	5	15.2	734	14.5
2023	17.7	21.0	4	14.3	139	0.6
Middle						
2022	21.2	23.3	7	21.2	954	18.8
2023	21.2	23.1	7	25.0	1,016	4.7
Upper						
2022	40.4	31.7	14	42.4	2,581	50.9
2023	40.4	34.2	10	35.7	1,431	6.6
Not Available						
2022	0.0	12.4	2	6.1	341	6.7
2023	0.0	14.0	3	10.7	18,929	87.1
Totals						
2022	100.0	100.0	33	100.0	5,075	100.0
2023	100.0	100.0	28	100.0	21,735	100.0
Source: 2020 U.S. Census; Bank Data, 2022 & 2023 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%						



Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2022	79.3	48.7	7	46.7	2,253	50.3
2023	80.1	49.7	19	63.3	4,921	61.1
>\$1,000,000						
2022	6.1	--	8	53.3	2,228	49.7
2023	5.8	--	11	36.7	3,131	38.9
Revenue Not Available						
2022	14.5	--	0	0.0	0	0.0
2023	14.1	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	15	100.0	4,481	100.0
2023	100.0	100.0	30	100.0	8,052	100.0
Source: 2022 & 2023 D&B Data; Bank Data; 2022 & 2023 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%						

## **APPENDICES**

### **LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
  - i. The proportion of the bank's lending in the bank's assessment area(s);
  - ii. The dispersion of lending in the bank's assessment areas(s); and
  - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
  - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
  - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
  - iii. Small business and small farm loans by loan amount at origination; and
  - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

#### **Investment Test**

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and

- 4) The degree to which qualified investments are not routinely provided by private investors.

### **Service Test**

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

## SCOPE OF EVALUATION

SCOPE OF EVALUATION	
<b>TIME PERIOD REVIEWED</b>	September 14, 2021 – January 21, 2025
<b>FINANCIAL INSTITUTION</b>	Mercantile Bank
<b>PRODUCTS REVIEWED</b>	Home mortgage, small business, and small farm loans

List of Affiliates and Products Reviewed		
Affiliates	Affiliate Relationship	Products Reviewed
Firstbank Capital Trust I	Provides capital to holding company	NA
Firstbank Capital Trust II	Provides capital to holding company	NA
Firstbank Capital Trust III	Provides capital to holding company	NA
Firstbank Capital Trust IV	Provides capital to holding company	NA
Mercantile Bank Capital Trust I	Provides capital to holding company	NA
Mercantile Bank Community Partners, LLC	Community Development Subsidiary	NA
Mercantile Insurance Center, Inc.	Insurance services	NA
West Lake Associates, LLC	ORE holding company	NA

List of Assessment Areas and Type of Evaluation			
Assessment Area	Type of Evaluation	Branches Visited	Other Information
Grand Rapids	Full scope	None	None
Non-MSA	Full scope	None	None
Lansing	Full scope	None	None
Traverse	Full scope	None	None
Midland	Full scope	None	None
Kalamazoo	Limited scope	None	None
Troy	Limited scope	None	None
Saginaw	Limited scope	None	None

## 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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank'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.

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



**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (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.