

Artisans' Bank

Compliance Memorandum

To: CRA Board Committee; CRA Management Committee
From: Joel S. Schiller, SVP & CRO: Compliance & CRA Officer
Date: March 31, 2024
CC: CRA File

RE: Self-Assessment of Artisans' Bank's Record of Performance under the Community Reinvestment Act (CRA) for Calendar Year 2023.

Executive Summary:

As documented in the Bank's CRA Policy, the Board of Directors has charged Management with the obligation to seek, understand, and actively help to meet the credit and financial services needs of the low- and moderate-income segments of the communities the Bank serves. The Bank remains committed to the spirit of the Community Reinvestment Act (CRA) by promoting a roster of innovative and flexible consumer loan and deposit products and services throughout its CRA Assessment Areas. The Bank also provides leadership and support to the non-profit community that serves these market segments and invests in CRA related assets to help support the credit and financial services needs of the communities we serve.

The Bank maintains a roster of consumer loan and deposit products and retail banking services, directed towards the low and moderate income and geographic segments of our community. These activities are described within this CRA self-assessment report. Financially and operationally, the Bank supports community development lending and community development investments and provides innovative banking services to the un-banked and the under-banked. The Bank participates with Federal, State and Local governments, CDFI's, non-profit agencies, other financial institutions, and informal community groups to gain an awareness of the available government programs, community loan programs, community development projects, community development investments, and CRA related service projects in which the Bank can support.

The Board of Directors has appointed the Chief Risk Officer as the CRA Officer for the institution. The CRA Officer chairs a CRA Management Committee which helps the Bank meet its ongoing responsibility to support CRA. The CRA Officer also chairs an CRA Board Committee which provides the Board with an annual summary of its CRA program. These committees assess the results of the Bank's CRA activities; ensures we offer fair and equal access to credit and financial services to all consumers in a non-discriminatory manner; and ensures our CRA programs meet the standards for a satisfactorily rated CRA program.

The purpose of this memorandum is to self-assess the Bank's performance under the Community Reinvestment Act for the calendar year 2023. Your involvement is encouraged.

Overall Conclusion:

It remains the opinion of the CRA Officer of Artisans' Bank, that the Bank continues to **Satisfactorily** meet the credit and financial services needs of the Bank's CRA Assessment Area; including the low and moderate income and geographic sectors of the communities we serve.

1. Ascertaining the Credit and Financial Services Needs of our CRA Assessment Area

As a state-chartered, mutually owned, community bank serving the State of Delaware, the Bank strives to understand the credit and financial services needs within our CRA Assessment Area. By participating with Federal, State, and Local governments; State and Local non-profit organizations; Delaware based CDFI's; local neighborhood groups; other financial institutions; and credit and home-ownership counseling agencies who serve the credit and financial services needs of the low and moderate income and geographic segments of the communities we serve, we strive to ascertain the credit and financial services needs of our CRA Assessment Areas.

Bank Directors, Officers, and Associates are encouraged to serve on local and statewide non-profit organizations and provide leadership and support to these organizations and to gain awareness of community credit needs. CRA guidance is also obtained from the FDIC, the FRB Philadelphia, the FHL Bank of Pittsburgh, and the Delaware Bankers Association. The Philadelphia FRB maintains a Community Profile for Delaware, which includes listings of the many non-profit agencies that serve the low- and moderate-income segments of the Bank's CRA Assessment Areas. The Bank uses all of these resources to determine where its limited resources can be best served.

The Bank's community leadership and its outreach is monitored by the Bank's CRA Officer, who reports this activity to Management and the Board. Directors, Officers, and Bank Associates perform community outreach to communicate the Bank's lending, investment, and financial service products and services to the community and to learn more about the credit and financial services needs within the Bank's CRA Assessment Areas. Meetings with government agencies, housing counselors, non-profit organizations, banking peers, and concerned individuals involved in the evaluation, coordination, and development of affordable housing within our community, are also encouraged.

2. Compliance with Fair Lending Laws and Regulations

The Board has instructed Management to monitor the Bank's lending and deposit taking activities to ensure they are fairly and consistently applied to all applicants who meet the Bank's lending and deposit account opening standards. Through internal and external compliance and audit reviews, we have determined the Bank strives to comply with Federal and the Delaware state law and the regulations that comprise fair lending: including the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Americans with Disabilities Act, and the Community Reinvestment Act. The Bank's products and services are extended to customers without regard to race, color, religion, national origin, sex, marital status, familial status, handicap, age (provided that the applicant has the capacity to enter a binding contract), sexual orientation, gender identity, that all or part of the applicant's income is derived from public assistance program; or that the applicant has in good faith exercised any of their rights under the Consumer Credit Protection Act.

Furthermore, the Bank has begun to actively monitor its lending and deposit taking activities in Delaware and within its surrounding communities to ensure the Bank's Reasonably Expected Market Area (REMA) does not extend beyond its Delaware borders. This monitoring includes actively measuring the Bank's performance within the minority-majority census tracts in Delaware and its REMA to ensure these communities are also well served.

3. FDIC Compliance & CRA Examinations

The FDIC's most recent Compliance & CRA Examination of the Bank covered the period December 04, 2019, through August 15, 2022. The Bank received a **"Satisfactory"** CRA composite rating from this examination and **"Satisfactory"** CRA ratings for each individual component. Banks with this CRA rating have a satisfactory record of helping to meet the credit needs of its CRA Assessment Area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Upon receipt of the FDIC's CRA Performance Evaluation Report, in October 2022, a copy of the report was placed into the Bank's CRA Public File.

A Fair Lending review was conducted by the FDIC as part of their CRA examination of the institution. While the review noted no fair lending or technical violations with respect to HMDA, CRA, or the other fair lending statutes, the report did recommend the Bank formally evaluate the Bank's lending in Minority-Majority (MMT) census tracts against its peers in order to minimize the potential for "redlining" risk in its Reasonably Expected Market Area. As noted above, this recommendation has been implemented.

The Report also included a recommendation to ensure the Bank's statewide community development activities are tracked by their specific CRA Assessment Area and not just reported as Statewide. This recommendation has also been implemented.

The Bank continues to perform an annual Fair Lending risk assessment. As part of this assessment, the Bank recognizes that it should continue to work to increase its volume of loan applications from Black, Hispanic, and Asian applicants and improve its loan penetration in the Minority-Majority census tracts within the Bank's CRA Assessment Areas. This recommendation has been included as a Strategic Business initiative and is supported by a CRA Targeted Marketing Plan, which began in 2023. This initiative will continue into 2024 and beyond and is being managed by an internal working group who is reporting to the CRA Management Committee.

The next full scope FDIC Compliance and CRA examination of the institution is expected to occur sometime within calendar year 2025. On October 24, 2023, the Agencies issued a final rule amending the CRA regulations, with compliance expected on or around 2026. As these rules are being legally challenged, it is anticipated that the next CRA examination will incorporate only selected aspects of the CRA Modernization rules.

4. Branch Network & CRA Assessment Area Definitions

Artisans’ Bank serves all three counties in Delaware: New Castle County, a portion of Metropolitan Area (MA) 48864; Kent County, a portion of Metropolitan Area (MA) 20100; and Sussex County, a portion of Metropolitan Area (MA) 41540. The Bank maintains 12 full-service branches and 3 commercial/residential loan production offices to serve these assessment areas. Eight of the Bank’s retail branches are in New Castle County; two are in Kent County; and two are in Sussex County. Due to the most recent FFIEC census updates, 4 of the Bank’s 12 branches (Downtown, Little Falls, Dover, and Milford) are located in moderate-income census tracts and 4 of the Bank’s 12 branches are located in minority-majority census tracts (Downtown, Bear, Dover, and Milford).

On July 1, 2022, the Bank officially closed its Rehoboth branch/Sussex County loan production office and opened a new Rehoboth branch & LPO roughly two miles from its former location. Prior to this change, there had been no changes to the Bank’s branch network since 2011, when the Bank closed its Polly Drummond Branch office. Prior to 2011, the Bank’s two newest bank branches, Millville and Little Falls, opened in 2008.

5. Loan to Deposit Ratio Analysis	<u>12/31/23</u>	<u>12/31/22</u>	<u>12/31/21</u>
	79.26%	77.66%	70.75%
Statewide Average (a/o June 30 prior year)			
Loan to Deposit Ratios	47%	44%	51%

After several years of being negatively impacted by the material growth in deposit balances derived from the economic stimulus crafted by the federal government in response to the COVID-19 pandemic, the Bank’s Loan to Deposit ratios continue to improve. While the ratio remains slightly below its historic averages, the ratio remains well ahead of the Delaware statewide average for Loans to Deposits; as this ratio remains artificially low because many national banks report their deposits in Delaware but do less local lending here. For a traditional community bank, such as Artisans’ Bank, a Loan to Deposit ratio of 80%, or more, is desired.

6. Home Mortgage Disclosure Act (HMDA) Lending Results

Loan applications for the purchase, improvement, or refinance of a 1-4 family or a multi-family residential dwelling, are to be reported on the Bank’s HMDA Loan Application Register (LAR). HMDA reportable applications come from all three lending units (residential/consumer/commercial) of the Bank, and the required data is collected, scrubbed, and reported to the government. HMDA data assists the Bank in its assessment of meeting the credit and financial services needs of the communities we serve, including the low- and moderate-income, and minority-majority geographic segments of our CRA Assessment Area. As an Intermediate Small Bank, with limited application volumes, the Bank is relieved from the expanded data reporting requirements of HMDA. The Bank has also chosen not to voluntarily report home equity lines of credit on its HMDA LAR.

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<u>HMDA LAR Data</u>	<u>2023</u>		<u>2022</u>		<u>2021</u>	
Loan Applications Taken	160	100%	203	100%	320	100%
Denials	9	5.6%	12	5.9%	8	2.5%
Withdrawn	6	3.8%	8	3.9%	9	2.8%
Incomplete	3	1.9%	3	1.5%	0	0.0%
Approved, Not Accepted	7	4.4%	10	4.9%	7	2.2%
Originated Loans	135	84.3%	170	83.8%	296	92.5%
Purchased Loans	0		0		0	
Assessment Area Applications	144	90.0%	188	92.6%	297	92.8%
Outside Assessment Area Apps	16	10.0%	15	7.4%	23	7.2%

A high percentage of HMDA reportable applications continue to come from within the Bank's CRA Assessment Area. The Bank's fallout and denial rates also remain low, a continued testament to the dedication of our collective lending teams.

<u>HMDA LAR Data</u>	<u>2023</u>		<u>2022</u>		<u>2021</u>	
Loan Applications Taken	160	100%	203	100%	320	100%
Mortgage Lending	53	33.1%	87	42.9%	235	73.4%
Home Equity Lending	82	51.3%	68	33.5%	40	12.5%
Commercial Lending	25	15.6%	48	23.6%	45	14.1%

<u>HMDA LAR Data</u>	<u>2023</u>		<u>2022</u>		<u>2021</u>	
Loan Applications Taken	160	100%	203	100%	320	100%
Purchases	65	40.6%	90	44.3%	98	30.6%
Home Improvement	42	26.2%	34	16.8%	29	9.1%
NCO Refinance	28	17.5%	53	26.1%	118	36.8%
CO Refinance	4	2.5%	12	5.9%	63	19.7%
Other	21	13.2%	14	6.9%	12	3.8%

HMDA reportable loan applications continued to fall as 2022 and 2023, reflected a period of rising interest rates and low loan demand. In response to a relatively stagnant mortgage market, the Bank attempted to respond by actively promoting its home equity lending products and by pursuing non-owner-occupied commercial lending opportunities.

<u>HMDA LAR Data</u>	<u>2023</u>		<u>2022</u>		<u>2021</u>	
Assessment Area Applications	144	100%	188	100%	297	100%
Low Income Tracts (<50% MI)	5	3.5%	7	3.7%	3	1.0%
Mod Income Tracts (<80% MI)	22	15.3%	24	12.8%	36	12.1%
Low Family Income (<50% MI)	20	13.9%	23	12.2%	22	7.4%
Mod Family Income (<80% MI)	27	18.8%	32	17.0%	30	10.1%

A reasonable percentage of HMDA applications were taken from low- and moderate-income applicants, and this percentage continues to rise. The percentage of HMDA applications taken in LMI tracts within our CRA Assessment area has also increased. As the Bank’s focus has turned towards home purchase and home improvement transactions (as opposed to refinance transactions), the Bank is able to better demonstrate its ability to serve the LMI segments of the Bank’s CRA Assessment Area. All three counties reported HMDA application in both LMI tracts and from LMI applicants.

7. Community Reinvestment Act (CRA) Small Business Lending Results

The Bank remains an Intermediate Small Bank as defined by the CRA regulations, with assets between \$250 million and \$1 billion. The Bank continues to voluntarily report CRA information to the federal government annually in order to retain the option of being examined under either the FDIC’s CRA Large Bank or Intermediate Small Bank examination requirements. CRA Small Business Lending includes commercial loans in amounts of \$1 million or less, reported on the Bank’s Call Report as “secured by non-farm, non-residential real estate” or as “commercial and industrial loans”.

<u>CRA Small Business- #</u>	<u>2023</u>		<u>2022</u>		<u>2021</u>	
CRA SB Originations	61	100%	93	100%	90	100%
Originations <\$100,000	28	46%	38	41%	37	41%
Originations \$100-\$250	17	28%	22	24%	21	23%
Originations \$250-\$1M	16	26%	33	35%	32	36%
Businesses <\$1M Revenue	31	51%	51	54%	46	51%
Assessment Area Originations	58	95%	78	84%	77	86%
LMI Tract Originations	<u>21</u>	<u>36%</u>	<u>22</u>	<u>28%</u>	<u>22</u>	<u>29%</u>
NCC LMI Tracts	12	57%	16	73%	20	91%
Kent/Sussex LMI Tracts	9	43%	6	27%	2	9%

Reportable CRA Small Business lending fell in 2023, as higher interest rates resulted in overall weaker commercial loan demand. The percentage of reportable CRA Small Business loans, within the Bank’s CRA Assessment Area, remains high and the Bank continues to report a strong mix of smaller sized reportable loans. The Bank also continues to originate a reasonable percentage of loans within the LMI census tracts within in its CRA Assessment Area.

8. Community Reinvestment Act (CRA) Small Farm Lending Results

CRA Small Farm lending includes loans in amounts of \$500,000 or less, reported on the Bank’s Call Report as loans to “finance agricultural production”, “other loans to farmers”, or “loans secured by farmland”. No reportable CRA Small Farm loans were originated in 2023. Small Farm lending remains an immaterial part of our commercial lending business.

<u>Small Farm Lending</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Originations - #	0	1	2
Originations - \$	\$0	\$157	\$159

9. Community Reinvestment Act (CRA) Community Development Lending Results

CRA Community Development lending includes: 1) Loans for affordable housing, including multi-family rental housing for low- and moderate-income individuals; 2) loans to non-profit organizations who provide community services to predominantly low-and moderate-income clientele; 3) loans which support general economic development in low- and moderate-income neighborhoods; and 4) lending activities that revitalize or stabilize neighborhoods within the Bank’s CRA Assessment Area or the community at large, including low-and moderate-income geographies.

CRA Community Development lending also includes lending that revitalizes and/or stabilizes distressed, or under-served, non-metropolitan, middle-income geographies or federally designated disaster areas. Loans that are reported as CRA Small Business may not be reported as CRA Community Development, except for multi-family rental housing, which may be double counted.

<u>Community Development</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Originations - #	2	0	5
Originations - \$	\$181,000	\$0	\$4.9 million

The Bank reported two CRA Community Development loans in 2023, both representing the Bank’s agreed-upon advances in Cinnaire’s Mid-Atlantic Housing Loan Fund. These advances contributed towards the redevelopment of the Compton Townhouse Apartments and the development of Riverside Phase 1, affordable housing projects, located within low-income census tracts on the eastside of Wilmington.

The Bank has also held five potential community development transactions for examiner review. These transactions have strong community development attributes but were required to be reported on the Bank’s CRA Small Business Register. These loans were to the Delaware Collage of Art & Design, Scout Café, Sycamore Hill Church, and two FHLB Banking on Business loans to Healing Pathways Counseling and Consulting.

10. Optional HMDA or CRA Data Collection for Consumer Loans

In 2023, the Bank continued to optionally not report its HELOC lending or its CRA qualifying consumer loans on its HMDA LAR or CRA Loan Registers. These decisions continue to be based on the very low volume of non-real estate secured consumer loans and the temporary regulatory exclusion that allows small financial institutions, who generate less than 200 HELOC applications, not to report HELOCs. As an Intermediate Small Bank with less than 500 reportable mortgage applications per year, the Bank also continues to receive an exemption from reporting the expanded HMDA LAR data reporting requirements that were enacted in 2019. The finalization of the DFA 1071 and CRA Modernization rules will likely change the CRA & HMDA data reporting requirements for all financial institutions.

11. Third-Party CRA Data Analysis

The Bank uses Ncontracts, a third-party service provider, to prepare assessments of the Bank's lending activities within the low-and moderate-income census tracts within the Bank's CRA Assessment Area. Their reviews are intended to provide an assessment of four performance criteria, loan to deposit ratio, in-out ratios, geographic distribution, and borrower profile, in relation to market benchmarks. While the 2023 Ncontracts review will be completed later this year, their 2022 report contained the following overall assessments: loan to deposit ratio (adequate); percentage of loans within CRA Assessment Area (satisfactory); distribution of commercial loans among borrowers of different income levels and businesses of different sizes (meets expectations); distribution of residential lending among borrowers of different income levels (meets expectations); distribution of lending among LMI geographies (less than satisfactory); distribution of lending among minority majority census tracts (less than satisfactory); and CRA complaints (satisfactory).

Additionally, the Bank contracts with Capco Compliance, another third-party service provider, to prepare an assessment of the Bank's performance in minority-majority census tracts within the Bank's CRA Assessment Area. This analysis of the Bank's HMDA LAR data is intended to assess the level of "redlining" risk within the institution. While their 2023 review will be completed later this year, their 2022 report concluded the Bank continues to maintain a "low" fair lending risk of redlining and that its Reasonably Expected Market Area need not extend beyond its CRA Assessment Area. Performance assessments against FCCB in New Castle County, Delaware One FCU in Kent County, and Tidemark FCU in Sussex County were included in the report.

Despite the overall acceptable results of these third-party reviews, the Bank will continue a CRA targeted marketing campaign in an effort to attract more applications (and hopefully more loans) from low-and moderate income and minority-majority census tracts. Information from the CRA Targeted Marketing campaign will be reported to the CRA Management Committee.

12. CRA Lending Programs

(A) CRA Homeownership Program

The Bank offers low-and-moderate-income first-time homebuyers a reduction of the Bank's secondary market pricing and a waiver of the Bank's (\$895) loan origination fee. These benefits are extended to low- and moderate-income applicants who refinance properties in low- and moderate-income census tracts. The Bank's CRA homeowner product is communicated to applicants by our lenders and by local community housing counseling agencies. The loans are sold, servicing released, to FHLMC and US Bank, in the secondary mortgage market.

<u>Mortgage Lending</u>	<u>2023</u>		<u>2022</u>		<u>2021</u>	
Purchase Applications	65	100%	90	100%	98	100%
FTHB Applications	4	\$0.8M	7	\$1.8M	7	\$1.4M
FTHB Loans Closed	4	\$0.8M	6	\$1.4M	6	\$1.2M
CRA Applications	2	\$0.3M	6	\$1.0M	4	\$0.6M
CRA Loans Closed	2	\$0.3M	3	\$0.8M	3	\$0.4M

The level of FTHB and CRA mortgages remains low, partially a factor of limited referrals and partially a factor of not retaining these loans in portfolio, which would allow the Bank to potentially offer deeper discounts. There is also strong market competition for these loans.

(B) FHA and VA Lending

The Bank was approved as an FHA/VA lender in 2013, when it purchased 63 FHA and 16 conventional mortgages, totaling \$10.4M, from AIG Savings Bank, a local financial institution who relinquished its Delaware banking charter and divested its local CRA assets. These loans are sold servicing released to US Bank. No FHA or VA lending has occurred the last several years, as the high number of cash transactions and large down payments have made it difficult for the standard FHA/VA borrower to compete with multiple offers scenarios. The Bank still believes it has solid FHA/VA loan products to offer its customers.

<u>FHA Lending</u>	<u>2023</u>		<u>2022</u>		<u>2021</u>	
Applications - #, \$	0	\$0.0M	0	\$0.0M	0	\$0.0M
Originations - #, \$	0	\$0.0M	0	\$0.0M	0	\$0.0M

<u>VA Lending</u>	<u>2023</u>		<u>2022</u>		<u>2021</u>	
Applications - #, \$	0	\$0.0M	0	\$0.0M	2	\$0.6M
Originations - #, \$	0	\$0.0M	0	\$0.0M	2	\$0.6M

(C) ***Manufactured Housing & Multifamily Housing Loans***

The Bank offers a FHLMC residential first mortgage loan program designed specifically for owners of manufactured housing. This loan product is sold, servicing released to FHLMC.

<u>Manufactured Housing</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Applications - #, \$	0 \$0.0M	3 \$0.1M	1 \$0.1M

Multifamily housing consists of apartment buildings and residential dwellings that contain more than four units. The Bank primarily attracts multifamily housing loans through its commercial lending division. Some of these transactions represent University of Delaware student housing while other loans are secured by traditional apartment buildings/complexes. These numbers do not include Cinnaire or NCALL supported multi-family housing loan transactions, which are reported within the CRA Community Development loan section in this report.

<u>Multifamily Housing</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Applications - #, \$	3 \$1.4M	6 \$4.3M	8 \$5.4M

There was a renewed focus by the Bank's commercial team on attracting multifamily housing loans in recent years, as the Bank's commercial real estate concentrations in this segment have eased. The Bank's portfolio includes both buildings with market rents and buildings with below market rents.

(D) ***Credit Builders Consumer Loan Program***

A credit builder loan can assist homebuyers in accruing the savings necessary for a home purchase down payment. The Bank waives its traditional underwriting and proceeds from a closed-end consumer loan are deposited into a savings account that secures the loan. Borrowers repay the loan from their cash flow, while strengthening their credit and building the savings necessary for home ownership. There are no fees to open a credit builder and the loans are priced at a 9% simple interest fixed interest rate.

In recent years, the Credit Builder program has been expanded to include applicants who are unbanked and under-banked, allowing these consumers to establish a positive credit experience with the banking industry. Credit builder loans are a referral product (not direct to consumer), and the Bank maintains a relationship with several local homeownership and community service agencies, including Stand By Me, who refer customers to the Bank.

<u>Credit Builders</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Originations - #, \$	8 \$8,950	2 \$800	2 \$1,000

(E) ***St. Vincent Small Dollar Consumer Loan Program***

The Bank also offers the working poor clients of the Society of St. Vincent DePaul, a simple interest, no fee, small dollar consumer loan.

<u>St. Vincent:</u>		<u>2023</u>		<u>2022</u>		<u>2021</u>
Originations - #, \$	5	\$6,500	0	\$0	2	\$1,300

(F) ***No Fee, Low Interest, Home Equity Loans and Home Equity Lines of Credit***

The Bank actively markets its home equity loans and home equity lines of credit products as affordable consumer lending products. With no application fees or closing costs, flexible underwriting, competitive pricing, and portfolio retention, these loans can be attractive to low- and moderate-income homeowners.

<u>Applications</u>		<u>2023</u>		<u>2022</u>		<u>2021</u>
HELOCs	81	\$12.1M	124	\$8.7M	84	\$8.7M
Home Equity	81	\$ 5.4M	63	\$2.2M	40	\$2.2M

Home Equity and HELOC application volumes were roughly even in 2023, reversing a trend that existed during the extended period of low interest rates. Despite higher interest rates in 2023, it was a good year for home equity lending, whose activity was bolstered by a continued marketing campaign.

13. **Community Development Financial Institution (CDFI) Initiatives:**

(A) ***Cinnaire (Delaware Community Investment Corp)***

The Bank was a founding member of DCIC, the first CDFI in Delaware. In 2013, DCIC merged with the Great Lakes Capital Fund and was rebranded as Cinnaire. Over their thirty-year history, the Bank has advanced over **\$5 million** to their Housing Loan Funds I-VII; Mid-Atlantic Loan Fund I; Community Investment Loan Funds II-III; and Urban Renewal Loan Funds I-II. The Bank also purchased a small equity interest in their Equity Fund for Housing VII.

Cinnaire's 2023 Activity Summary:

On December 31, 2023, the current loan balance of the **19** Cinnaire multi-family housing and community development projects was **\$594,299**, with an additional **\$434,763.55** in unfunded commitments in the Mid-Atlantic Housing Loan Fund I and Cinnaire Housing Loan Fund VII.

There were two Cinnaire MA HLF I advances in 2023. The Bank funded **\$118,090** for its share of a \$7.7M rehabilitation of the 14-unit Compton Townhouse Apartments and \$62,500 for its share of the \$5.0M Riverside Phase I, 77-unit, townhouse development. Both projects are on the eastside of Wilmington.

- (B) ***NeighborGood Partners (NCALL Research, Inc).***
NeighborGood Partners is a CDFI based in Dover, Delaware, that specializes in affordable housing, education, support services, and community development lending primarily in Kent and Sussex counties. The CDFI maintains a **\$500,000** unsecured 3% unsecured working capital line of credit at the Bank. There were no NeighborGood Partners related advances in 2023.
- (C) ***True Access Capital (First State Community Loan Fund)***
The Bank has also been a longtime supporter of this New Castle County based CDFI, whose mission is to stimulate business growth by educating, empowering, and elevating micro and small business owners/entrepreneurs with augmented technical expertise and access to capital. True Access maintains a **\$250,000** unsecured 2% working capital line of credit at the Bank and Commercial Lender Greg Makovsky, serves on their loan committee. The Bank refers small business lending opportunities to True Access, and many of the Bank's IDA deposit accounts were obtained through a former savings program run by this agency.
- (D) ***Stepping-Stones Community (LMI) Federal Credit Union***
In 2012, a low-income credit union was formed by the Delaware Community Reinvestment Action Council (DCRAC) to serve the underserved populations in Wilmington. CRO Joel Schiller was their Supervisory (Audit) Committee Chair since the CU's inception, and swerved on this committee until 2022, when he was replaced by Deposit Operations team member Mary Jo Grier. The credit union maintains a free night depository relationship at the Bank's Ninth Street branch and their members may cash SSC FCU issued, small dollar loan proceeds or share account withdrawal checks at the Bank for no fee. The Bank also maintains a **\$25,000** non-member (below market rate), auto renewing, certificate at the credit union, currently earning 0.10%. In 2019, SSC FCU was formally awarded Community Development Financial Institution (CDFI) status.

14. **CRA Investment Initiatives:**

- (A) ***DSHA Mortgage Revenue Bonds***
The Bank currently holds **2** DSHA Mortgage Revenue Bonds in its investment portfolio. Funds from these investments are allocated to low and moderate income, first-time home buyers, at a below market interest rates. On December 31, 2023, the Bank's DSHA Mortgage Revenue Bonds had a book value of **\$629,073** and the most recent MRB purchase was a \$1 million DSHA MRB bond purchased in July 2018. The Bank is currently in the process of re-joining DSHA, in order to refer bank clients to their mortgage products.

(B) *CRA Qualifying Mortgage-Backed Securities (MBS)*

The Bank currently holds **12** CRA qualifying MBSs in its investment portfolio. When available, the Bank attempts to purchase securities which are supported by mortgages from LMI households in Delaware. On December 31, 2023, the Bank held **\$108,273,497** in total MBSs in its investment portfolio, and the twelve (12) CRA qualifying MBSs had a December 31, 2023, book value of **\$8,289,166**. The four (4) most recent CRA qualifying MBS purchases were completed in 2021.

(C) *State & Municipal Bonds*

The Bank will also consider purchasing specific bonds issued by the State of Delaware or Delaware municipalities that support low- and moderate-income, distressed, or under-served middle income geographies. On December 31, 2023, **no (\$0)** such investments were included in the Bank’s investment portfolio.

(D) *Non-Profit Organization Contributions*

The Bank continues to contribute to many non-profit organizations that serve the low- and moderate-income households and geographies within our CRA Assessment Area. Requests are funded from the Bank’s annual operating budget and are evaluated by a Community Affairs committee. No endowment, foundation, or special set-aside exists for these contributions.

CRA contributions in 2023 included payments to **64** CRA qualifying non-profits, amounting to **67%** of the total of the Bank’s Community Affairs contributions. Please refer to the report “**2023 CRA Qualifying Contributions**” for the listing of the organizations who received contributions from the Bank.

<u>Contributions</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
CRA Budgeted - \$	\$ 54,000	\$ 58,000	\$ 51,000
Total Paid - \$	\$125,557 100%	\$122,902 100%	\$101,583 100%
CRA Contributions	\$ 83,293 66%	\$ 80,563 65%	\$ 60,583 60%

CRA qualifying contributions increased slightly in 2023, as did overall bank contributions, reflective of an increase in bank earnings. 2023 highlights included new contributions to the Food Bank Delaware, Reach Riverside, Southbridge Community Services, Springboard Collaborative, Westside New Beginnings, and the Wilmington Metropolitan Urban League.

In 2023, CRA qualifying capital campaign contributions were made to Ministry of Caring’s Villa Maria low-income senior housing complex, Latin American Community Center’s early learning center, Delaware Prosperity Partnership’s Advancing Prosperity campaign (renewed for another three years), and the Sunday Breakfast Mission’s Next Level campaign.

- (E) ***Volunteerism with Non-Profit Organizations that Serve the LMI Community***
 The Bank continues to encourage its Directors, Officers, and staff to volunteer with the many non-profit organizations that serve the low- and moderate-income and geographic sectors within our CRA Assessment Area. Please refer to the report “*Community Leadership Activities*” and “*Community Memberships*” for the 2023 listings of the community organizations served by the Bank.

15. CRA Deposit Account Based Initiatives:

- (A) ***Bank in School Accounts***
 Before the pandemic, the Bank operated Bank in School programs at Holy Angels Academy (CRA) in Newark (Midway); Sharon Temple Adventist School (CRA) in Wilmington (Ninth Street); Brown Elementary (CRA) in Camden Wyoming (Dover); Star Hill Elementary in Camden Wyoming (Dover); and Caravel Academy in Glasgow (Glasgow).

The pandemic shuttered the BAS program from March 2020 to November 2021. As society reopened, the Bank was able to resume its BAS programs at Holy Angels, Caravel, and Brown Elementary and open new BAS programs at Odyssey Charter in Greenville (Little Falls); Robinson Elementary in Magnolia (Dover); Linden Hill Elementary in Wilmington (Pike Creek) and Lancashire Elementary (Graylyn) in Wilmington. School savings accounts receive a premium (0.25% APY) 15 basis points over the Bank’s standard statement savings interest rate.

<u>School Accounts</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
School Accounts	704 \$169,693	576 \$155,522	319 \$115,334

- (B) ***Easy Access Accounts***
 In 2021, the Bank joined the national bank-on coalition to provide certified accounts to the unbanked and underbanked. With the support of Jack Henry, the Bank developed the Easy Access account. These accounts incur no overdraft, NSF, or dormancy fees and their low \$3 monthly service charge is waived with either a \$300 minimum daily balance or an ACH debit or ACH credit each statement cycle. The account holders receive a free debit card, free online and mobile banking, and up to four free money orders per statement cycle. The Bank rolled out this product at the end of 2021 and is marketing the product to any consumer who doesn’t pass the Bank’s traditional ChexSystems screening for a transaction account. CRA Schiller is also on a DBA Committee attempting to establish a Delaware Bank-On Coalition through the United Way of Delaware.

<u>Easy Access Accounts</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Easy Access Accounts	69 \$65,964	46 \$109,101	8 \$1,599

(C) ***Free Savers, Group Savers, Individual Development, and EITC Accounts***

In response to specific community needs, the Bank developed a series of customized entry-level savings products for the non-banked and under-banked segments of our community. Other than Free Savers, these products are not direct to consumer products and, as such, require a referral from a participating local community agency. The Bank remains a leading proponent of promoting entry-level deposit banking products in Delaware.

Free Savers accounts are an unrestricted statement savings account, eligible to be opened by anyone referred to us. Group Savers accounts are a restricted version of this product, where customer withdrawals require the co-authorization of the participating financial counselor.

Earned Income Tax Credit accounts are legacy Free Saver and/or Small Dollar Time Deposit accounts that were opened in support of Delaware’s Statewide Earned Income Tax Credit (Spend Some/Save Some) campaign.

Individual Development Accounts are restricted savings accounts, opened under a structured savings program, used to encourage home ownership, micro enterprise development, or continuing education. IDA participants typically receive matching funds funded from public or private sector sources. The Bank continues to hold some EITC and IDA savings accounts, although currently, there are **no (0)** active IDA/EITC programs at the Bank.

<u>Unrestricted Savers</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Free Savers	53 \$17,124	42 \$24,670	36 \$14,939
EITC Savings/Time	75 \$40,305	68 \$37,389	68 \$49,031
<u>Restricted Savers</u>			
IDA’s/Group Savers	71 \$ 5,408	87 \$32,398	95 \$29,838

(D) ***Interest on Lawyer’s Trust Accounts***

The Bank also participates in the Delaware IOLTA (Interest on Lawyers’ Trust Account) program established by the Supreme Court of Delaware. This Fund is supported by the interest which accrues on aggregated escrow and trust account balances (for comingled client deposits) maintained by participating attorneys. The interest is then sent monthly to the Delaware Bar Foundation and distributed to non-profit agencies that provide legal services for the indigent. The Bank has agreed to pay a minimum of 65 basis points to support the IOLTA program.

<u>IOLTA Accounts</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
IOLTA Accounts	8 \$115,680	6 \$57,940	7 \$133,276

16. Other CRA Service Based Initiatives:

(A) *Statewide Branch Presence*

Artisans' Bank continues to operate 12 full-service bank branches: eight in New Castle County, two in Kent County, and two in Sussex County. The Wilmington, Dover, Milford, and Little Falls branches are located in moderate-income census tracts while the Wilmington, Bear, Dover, and Milford branches serves a minority-majority population. Most of our branch locations offer Saturday hours and drive-thru lanes. We also continue to maintain commercial/residential/consumer lending centers in all three counties.

(B) *Dual Language ATMs at all Bank Locations*

The Bank operates dual language ATMs at all 12 branch locations to promote 24-hour banking. The Bank's ATM system has instructions in Spanish and English to assist customers of Hispanic origin. All the Bank ATMs are ADA compliant.

(C) *Affordable Deposit Accounts*

The Bank offers a "Personal Checking" product to consumers with only a \$50 minimum deposit to open; no minimum balance requirements; no monthly service or per check charges; free online banking, bill payment, and e-statements; the first 50 checks free; and no annual ATM/Visa Debit fees.

The Bank's Statement Savings accounts are also affordable to low- and moderate-income consumers as they require only a \$10 minimum deposit to open, and only a \$50 minimum balance to earn the stated APY. While Statement Savings accounts are subject to a \$5 monthly service fee, the average daily balance required to avoid the monthly service fee is only \$100.

The minimum balance to open a standard Artisans' Bank Certificate of Deposit or IRA account is \$1,500 or \$500 respectively, amounts that are relatively affordable to most consumers and are lower than the minimum to open requirements for many other local banks.

(D) *FHLB of Pittsburgh's Community Investment Products*

The Bank remains an active member of the FHLBank Pittsburgh, using their community investment products, and participating in their Blueprint Community Program. For all of its involvement, Artisans' Bank was named one of two FHLBank Pittsburgh's Pillar of the Community Banks for 2023. This award resulted in a marketing video featuring the Bank's President and CRA Officer and two local community agencies, as well as a \$1,000 donation from the FHLBank directly to Jefferson Street Center, one of the two local agencies. Commercial Lender Rudolph is a Board Member of JSC and currently serves as their Treasurer.

- In 2023, **both (2)** our FHLBank Affordable Housing Program applications received AHP awards. The Ministry of Caring’s Villa Maria senior housing project in East Wilmington and Interfaith Community Housing’s West Center Place project each were awarded a **\$750,000** FHLBank AHP grant.
- In 2023, **two (2)** FHLBank Banking on Business Inclusion and Equity Fund applications for **\$75,000** were submitted to the FHLBank on behalf of the Bank’s commercial customers. One of these loans was awarded by the FHLBank.
- In 2023, **fourteen (14)** FHLBank Home4Good Program applications totaling **\$1,075,000** were approved for the benefit of **ten (10)** local organizations combating homelessness. Three applications were for their rapid re-housing, homelessness prevention, homelessness diversion, re-entry assistance, street outreach, and welcome home programs.
- In 2023, **one** FHLB FFD settlement assistance grant application for \$5000 was awarded to on behalf of a first-time homebuyer mortgage customer.

<u>AHP Program</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Applications Submitted - #	2	2	2
Grants Awarded - #, \$	2 \$1.5M	0 \$0	0 \$0

<u>Banking on Business</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Applications Submitted	2	0	0
Grants Awarded - #, \$	2 \$150,000	0 \$0	0 \$0

<u>First Front Door</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Originations - #, \$	1 \$5,000	1 \$5,000	0 \$0

<u>Home4Good</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Grants Awarded - #, \$	14 \$1,075,000	12 \$1,075,000	13 \$1,075,000

FHLBank Pittsburgh Blueprint Community

In 2016, CRO Joel Schiller was appointed to the Washington Heights Blueprint Community team. This FHLBank Pittsburgh, University of Delaware, and City of Wilmington community development initiative was focused on improving the low/moderate-income census tracts of Old Brandywine Village and Washington Heights, as well as the Triangle neighborhood in North Wilmington. In 2019, Mr. Schiller joined the Board and Finance Committee of Jefferson Street Center, Inc., the newly formed anchor organization that continues to serve these underserved LMI communities. In 2023, commercial lender Ann Rudolph replaced Mr. Schiller on the Board and currently serves as their treasurer.

(E) ***Servicing of Delaware State Housing Authority Loan Portfolios***

The Bank continues to service, at no cost, two small loan portfolios on behalf of the Delaware State Housing Authority. In 2017, the Bank renewed its DSHA mortgage servicing agreement, and agreed to perform this servicing at no cost, in order to retain its status as a small mortgage servicer.

<u>DSHA Portfolios</u>		<u>2023</u>	<u>2022</u>	<u>2021</u>
MRB Loans (Type 52) - #, \$	13	\$92K	18 \$0.1M	23 \$0.2M
Rehab Loans (Type 18) - #, \$	4	\$30K	5 \$0.1M	6 \$0.1M

(F) ***Delaware Adolescent Program, Inc.***

COO, Rich Tulin, continues to serve as the Treasurer for the Delaware Adolescent Program, Inc. DAPI operates three Delaware high school (one in each County) that provide standards-based education for LMI pregnant and parenting teens with unique outreach, mentoring, and supportive services promoting empowerment and self-sufficiency. Based on our recommendation, this agency received, in 2023, a **\$2,500** Collective Impact Award from the Atlantic Central Bankers Bank.

(G) ***Banzai Financial Education Software***

In 2019, the Bank began sponsoring Banzai financial education software in nine Delaware schools, so that teachers in these schools can use their online educational platform as a teaching tool within their financial literacy curriculums. The Bank makes the Banzai financial literacy tool available for free to all bank customers and the general public, via a link from the Bank’s homepage. Banzai is currently being used at Bancroft Elementary, Caravel Academy, the DAPI School (CRA), Glasgow High (CRA), Holy Angels (CRA), Hodgson VoTech School, Star Hill Elementary, and Warner Elementary (CRA).

(H) ***Delaware Mortgage Relief Program***

In 2023, the Bank assisted a homeowner with the mortgage payment relief provided by the Delaware Mortgage Relief Program’s Housing Assistance Fund.

(I) ***Community Volunteerism***

The Bank encourages its Directors, Officers, and Associates to volunteer on the boards, committees, or in leadership positions with the many non-profit organizations that serve our CRA Assessment Area. This information, as well as community events attended by Bank personnel, is tracked by the CRA Officer. The Bank also offers its facilities, primarily its Multi-Purpose Room at Little Falls, to a variety of community groups.

<u>CRA Activities</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Community Events	111 Hours	118 Hours	86 Hours

17. CRA Complaints and Public File Requests

The Bank received no formal requests to review its CRA Public File in 2023 and the Bank received no complaints regarding its CRA performance in 2023. The Bank continues to maintain a board approved Complaint Handling Policy and Complaint Tracking Log, which includes regulatory, formal written, and escalated verbal complaints. The Bank updates its CRA Public File and Public Disclosures annually, with the most recent updates to its CRA Public File occurring in March 2024. According to the CRA Modernization rules, the Bank is working to add its CRA Public file to its website.

18. CRA Accomplishments:

The Bank remains proud of its statewide branch and ATM network; its ability to offer affordable loan and deposit products for consumers of all economic backgrounds; its no-cost electronic banking services, including free online banking, mobile banking, mobile deposit, e-statements, and bill payment; and its active participation with other financial institutions, local non-profit agencies, and the public sector, in developing and delivering a roster of innovative and flexible CRA products and services to consumers.

The Bank remains proud of the active involvement of its CRA Management and CRA Board Committees and the community involvements of its Directors, Officers, and Associates. The Bank also maintains robust data collection and reporting activities which highlight the strengths (and weaknesses) of the Bank's CRA program.

The Bank remains proud of its residential mortgage, home equity, and commercial lending teams; its consideration of CRA qualifying community development investments and lending opportunities; its support of FHLBank's community dividend products; its support of the Delaware CDFI community; its revamped Homeownership Program; its Credit Builder and Small Dollar loan programs; its new Bank-On certified Easy Access account; and its overall support of financial literacy in Delaware, including its promotion of the Banzai financial literacy software and the initiative to develop and implement statewide K-12 financial literacy standards and a required high school financial literacy course. .

2023 Calendar Year Highlights:

- Targeted marketing of our CRA loans and deposit products to our community.
- Continued strong lending percentages from within our CRA Assessment Area.
- An increase in our loan to deposit ratio
- An increase in the percentage of HMDA applications taken from LMI applicants and from LMI geographies.
- Continued low denial, withdrawal, and non-originated loan application rates.

- An increase in the percentage of qualifying CRA Small Business loans applications taken in LMI geographies in Kent and Sussex Counties
- The continued mix of smaller CRA Small Business loans and loans to borrowers with revenues under \$1M.
- The continued growth in the Bank's Bank-On certified Easy Access account.
- Improvement in the number of Credit Builder and Small Dollar Consumer loans.
- Fourteen FHLBank Home4Good awards totaling \$1,075,000.
- Two FHLBank Affordable Housing Program grant awards for \$1.5M.
- One FHLBank Banking on Business Equity & Inclusion Fund loan for \$75,000.
- One FHLBank First Front Door Settlement Assistance grant for \$5,000.
- The receipt of a 2023 FHLBank Pittsburgh's Pillar of the Community Award.
- Growth in the Bank at School program, with the opening of two new schools and the re-opening of one inactive BAS program.
- An increase in total community contributions and CRA qualifying contributions, including adding several new CRA qualifying organizations.
- No CRA based complaints.

19. 2024 Challenges:

- To increase our collective level of community leadership and involvement and participation in community events.
- To increase the number of loans and dispersion from LMI and minority-majority census tracts throughout our CRA Assessment Area.
- To increase our marketing of CRA loan and deposit products and services to our community.
- To increase our staff diversity, in order to attract more loans from minorities.
- To identify and take advantage of community development qualifying loan and investment opportunities.

The final challenge facing the Bank will be to comply with the modernization of the Community Reinvestment Act and the implementation of the Dodd Frank Act, Section 1071 (minority and women owned business) reporting requirements. CRA modernization will require a specific minimum amount of community development lending, based on the Bank's average deposits within each CRA Assessment Area; potentially eliminate CRA credit for mortgage loans sold within 90 days; and provide a reduced value for deposit and service based CRA initiatives. The DFA 1071 rules will require the collection of the required information and expanded CRA data reporting, so that loans to women and minority owned businesses are identified reported to the government. These initiatives will begin in earnest in 2024.

20. Conclusion:

As previously stated, it remains the opinion of the CRA Officer that the Bank continues to **Satisfactorily** meet the credit and financial services needs of the Bank's CRA Assessment Area; including the low and moderate income and minority-majority geographic sectors of the communities we serve.

As we look ahead, we anticipate the current high interest rates will continue to present challenges to the Bank's lending programs. Mortgage volumes are likely to remain soft, bringing even more focus on the ability of our CRA Targeted Marketing efforts to attract more first-time homebuyer, low-and moderate-income, and minority applicants. We also expect the Easy Access account volumes to increase the number of unbanked and underbanked customers.

The Bank remains committed to both the spirit and the technical requirements of the Community Reinvestment Act.

This concludes the CRA Officer's CRA Self-Assessment Report for calendar year 2023.