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Comptroller of the Currency  
Administrator of National Banks

**Small Bank**

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## **PUBLIC DISCLOSURE**

November 15, 1999

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

### **First National Bank in Howell**

Charter Number 14144  
101 East Grand River  
Howell, Michigan 48844-0800

Comptroller of the Currency  
Detroit Field Office  
Omni Office Centre, Suite 411  
26877 Northwestern Highway  
Southfield, Michigan 48034

**NOTE:** 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.

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **First National Bank in Howell** prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of November 15, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated “**Outstanding**”.

- The First National Bank in Howell has an excellent record of lending to borrowers of all income levels. The bank is a leader in originating home mortgage loans to low-income and moderate-income borrowers.
- The distribution of loans within the bank's assessment area and penetration in the moderate-income tracts is good.
- The bank's loan to deposit ratio is relatively high. A substantial majority of the bank's lending has occurred within its assessment area.
- The bank has addressed the needs of the community through qualified investments and community development services.

## DESCRIPTION OF INSTITUTION

The First National Bank in Howell, a subsidiary of FNBH Bancorp Inc., is a \$272 million full service, interstate bank headquartered in Howell, Michigan. The bank operates seven offices, with automated teller machines (ATM) located throughout Livingston County. Three offices are located in Howell along with a separate drive-in facility, two are located in Brighton, one in Hartland, and one in Fowlerville.

The bank offers a full range of loan products, deposit products, and services for both consumers and small businesses. The loan portfolio consists of 70 percent real estate loans, 21 percent commercial loans, 8 percent consumer loans, and 1 percent agricultural and miscellaneous loans. Also, the loan portfolio represents 72 percent of the total assets as of September 30, 1999.

This CRA evaluation covered the period since the prior CRA evaluation of July 17, 1996. There are no legal impediments adversely affecting the bank's ability to serve the community. The last CRA evaluation resulted in an "Outstanding" rating.

## DESCRIPTION OF ASSESSMENT AREA

The First National Bank in Howell has designated Livingston County as its assessment area. The county is located in the southeastern part of Michigan, approximately 40 miles northwest of Detroit. Howell is the county seat of Livingston County. Livingston County is part of the Ann Arbor Metropolitan Statistical Area (MSA 0440) and consists of twenty-two census tracts. Based on 1990 census data, a breakdown of the census tracts reveals no low-income tracts, two moderate-income tracts, fifteen middle-income tracts, and five upper-income tracts. The two moderate-income tracts are Handy Township and Marion Township. The Fowlerville office is located within one of the two moderate-income tracts of the bank's assessment area. The bank's assessment area is consistent with the requirements of the regulation and does not arbitrarily exclude low- or moderate-income areas. Table 1 describes demographic information for the bank's assessment area.

Table 1 Demographic Information for Livingston County						
<b>1999 Updated MSA Median Family Income</b>	\$65,100					
<b>Census Tracts Characteristics (Based on median family income.)</b>	<b>Count</b>	<b>%</b>	<b>Population</b>	<b>%</b>	<b>Housing Units</b>	
	<b>%</b>					
Low (below 50% median)	0	0%	0	0%	0	0%
Moderate (50-80% of median)	2	9%	10,275	9%	3,723	10%
Middle (80-120% of median)	15	68%	76,470	66%	26,122	67%
Upper (over 120% of median)	5	23%	28,900	25%	9,055	23%
Totals	22	100%	115,645	100%	38,900	100%
<b>Families by Income Level (Based on median family income.)</b>	<b>Number</b>	<b>%</b>				
Low (below 50% median)	4,044	13%				
Moderate (50-80% of median)	5,295	17%				
Middle (80-120% of median)	8,685	27%				
Upper (over 120% of median)	13,690	43%				

TOTALS	31,714	100%
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*Data source: 1990 U.S. Census data-HUD updated median family income data.*

The local economy has remained strong and the unemployment rate for 1999 is the lowest in the state at 1.6%. Livingston County is also the fastest growing county in southeastern Michigan in terms of population growth, according to information obtained by the Detroit News dated November 23, 1999 from the Southeast Michigan Council of Governments. This area is also known for its close proximity and centralized location to large cities of employment. Furthermore, the five largest employers in the county are Citizens Insurance, Varsity Kelsey-Hayes, Ogihara America Corporation, and Mercy Health Services. The above factors have contributed to the influx of new affluent residents, who reside within the area but commute outside for employment. Given the combination of the rapid population growth of affluent residents, a strong economy and low unemployment rates, Livingston County has become one of the state’s highest cost of living areas. The updated median income for Livingston County and the rest of the Ann Arbor Metropolitan Statistical Area (MSA 0440) is \$65,100. In addition, according to an article in the Detroit News dated November 23, 1999, and information provided by “Housing Growth Alliance, a local government agency”, the average housing prices within the area for 1999 have exceeded \$192,000. All of these factors show affordable housing as the primary credit need for the community.

The area is served by 13 other financial institutions that compete with the First National Bank in Howell. The financial institutions include National City Bank, Michigan National Bank, Old Kent Bank, Republic Bank (Formerly D&N Bank), Bank One, Standard Federal Bank, Comerica Bank, Great Lakes National Bank, Key Bank, Brighton Commerce Bank, Flagstar Bank, Stockbridge State Bank, and Charter One Bank. According to the June 30, 1999, FDIC Deposit Market Share information for Livingston County, there are a total of 44 bank offices being operated within the bank’s assessment area. These banks are full-service, regional and state banking institutions offering similar financial products as First National Bank in Howell. In addition, two credit unions compete within this market.

During our examination we contacted two local agencies, “Housing Growth Alliance” and “Howell Chamber of Commerce”. The Housing Growth Alliance oversees and reviews the issues of zoning, housing, and environmental topics for Livingston County. This agency is also heavily involved with community groups and other governmental units. These community groups and governmental agencies range from Habitat for Humanity, Michigan State Housing Development Authority, and the County Planning Commission. The Howell Chamber of Commerce is responsible for assuring a high quality of life within the community and a strong local economy. It achieves this by promoting the community and actively taking part in resolving community and county concerns with other agencies, such as the concern with affordable housing. We also reviewed literature given to us by the “Housing Growth Alliance”. This literature specifically addressed the community needs for Livingston County. After our

contact with the two local agencies and review of the literature that was provided, we determined that affordable housing continues to be the primary credit need in the assessment area.

In addition to the agencies expressing the credit needs of the community, they provided important insight on which local financial institution exemplifies meeting the credit needs of the community. The First National Bank in Howell was recognized by the community contacts as being a leader in providing for the credit needs of Livingston County.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The bank exhibited excellent responsiveness toward addressing the credit needs of its assessment area in light of its size, resources, and capabilities. This is illustrated by an excellent record of lending to low- and moderate-income borrowers and the distribution of loans within its assessment area.

#### **Loan to Deposit Ratio**

- **The bank's loan to deposit ratio is relatively high and demonstrates a willingness to lend to the community.**

The First National Bank in Howell's average loan to deposit ratio for the time period of September 30, 1997 through September 30, 1999 was 78%. Whereas other banks, similar in size and comparison throughout the United States, averaged 71%. Overall, the bank's loan portfolio has increased from \$177 million to \$202 million or 14%, over the last eight quarters. This increase further demonstrates the bank's commitment to lending.

#### **Lending in Assessment Area**

- **A substantial majority of the First National Bank in Howell's lending activity is within its assessment area.**

Data from the bank's HMDA-Loan/Application Registers for 1998 and first nine months of 1999 reflect that the bank originated 84% of home mortgage loans within its assessment area. Furthermore, internally generated bank reports of all commercial loans originated in 1999 show 81% of lending to businesses has been within its assessment area. The data also reflects an increase in bank lending to homeowners. During the time period of 1998 through September 1999, the First National Bank in Howell originated 459 home loans compared to 179 in the years 1996 and 1997. This increase in home lending demonstrates the bank's commitment to meeting the community's credit needs. Table 2 gives a synopsis of lending inside and outside the bank's assessment area for both residential and commercial loans.

Table 2	Lending Inside and Outside of Assessment Area
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Loan Product	Total Loans Originated	Loans in Assessment Area		Loans Outside Assessment Area	
		#	\$	#	\$
1-4 Family Real Estate Mortgages	459	385	36,171,000	74	3,206,000
Commercial	1,223	988	101,765,001	235	51,467,071
TOTAL	1,682	1,373	137,936,000	309	54,673,071

Data Source: 1998 & Year-to-Date 1999 HMDA-LAR & Internal Bank Reports.

### **Lending to Borrowers of Different Incomes and Businesses of Different Sizes**

- **The First National Bank in Howell has shown an excellent record of extending credit to borrowers of all income levels and businesses of different sizes.**

Our review of the First National Bank in Howell determined the bank's record of extending credit to low-income and moderate-income borrowers is excellent. During the years 1997 and 1998, the bank's percentage of lending to those segments of the market exceeded that of the aggregate market. Refer to Table 3. The bank's market share of mortgage lending to low-income individuals in 1998 was 5.06 percent, and was 2.74 percent to moderate-income individuals, both of which exceeded the bank's overall market share of 1.69 percent. These observations were also made relative to 1997 data. Table 3 also reflects that the bank's lending to low-income and moderate-income borrowers in was greater than the percentage of the assessment area's families that are low- and moderate-income, with 17 percent mortgage loans made to low-income borrowers and 31 percent to moderate-income borrowers in 1998. This trend was continued in 1999, thus reflecting the bank's willingness to lend to borrowers of all income levels. The following Table 3 gives a breakdown of our findings and loans made by income of the borrower.

Four Income Categories	FNB-Howell 1997		All Lenders 1997		FNB-Howell 1998		All Lenders 1998		Percentage of Families by Income Level.	
	#	%	#	%	#	%	#	%	#	%
	Low Income	37	17%	552	6%	44	17%	864	6%	4,044
Moderate Income	55	26%	1,600	18%	80	31%	2,894	19%	5,295	17%
Middle Income	66	31%	2,946	34%	67	26%	5,001	33%	8,685	27%

Upper Income	44	22%	3,561	41%	63	24%	6,107	40%	13,690	43%
Income Not Available	9	4%	138	1%	6	2%	448	2%	0	0%
TOTAL	211	100%	8,797	100%	260	100%	15,314	100%	31,714	100%

\* Data Source: 1990 Census Data and HUD updated median family income data. 1997 & 1998 HMDA-Loan/Application Register & 1997 & 1998 Internally Generated Reports.

### Small Businesses and Farm Loans

Dunn & Bradstreet 1999 business data revealed that 80% of the businesses within Livingston County have gross sales under \$1 million dollars. Based on a random sample of 25 business loans originated in 1998 and 25 business loans originated the first nine months of 1999, the First National Bank in Howell averaged 68 percent of its loans to businesses with gross profits under \$1 million dollars. Additionally, all of the loans sampled were for amounts less than \$1 million dollars, demonstrating a reasonable record of lending to businesses of different sizes, including businesses that are small. Table 4 provides the results of our sample.

Commercial Loans Sampled	Loans Sampled #	Loans Made to Businesses with Gross Revenues Under 1 Million Dollars		Loans Made to Businesses with Gross Revenues over 1 Million Dollars	
		#	%	#	%
1998 Loans Originated	25	18	72%	7	28%
1999 Loans Originated*	25	16	64%	9	36%
TOTAL	50	34	68%	16	32%

Data Source: Sample derived from internal bank report.

\* Loans category for 1999 represents partial year up to September 1999.

Although the agricultural business is limited within the area, the bank does offer business loans to small

farm operations. From 1998 to the first nine months of 1999, First National Bank in Howell made four agricultural loans totaling \$130,000. All of these loans were to farm operations with gross revenues under \$1 million and within the bank's assessment area.

**Geographic Distribution of Loans**

- **The First National Bank in Howell's distribution of loans is good.**

The geographic distribution of loans within the bank's assessment area is good and no conspicuous gaps of lending within Livingston County exist. We reached this conclusion by analyzing data obtained from the bank's HMDA-Loan/Application Register, internally generated reports derived from HMDA data, and 1990 demographic data. Table 5 represents the number of families by income level per census tract. Tables 6 and 7 represent the bank's geographic distribution of loans for 1997 and 1998, respectively.

Table 5 Number of Families by Census Tract Income Category		
	#	%
Low Income Tract	0	0%
Moderate Income Tract	2,676	9%
Middle Income Tract	21,011	66%
Upper Income Tract	8,027	25%

*Data Source: 1990 Demographic Data*

Table 6 Geographic Distribution of Loans per Census Tract Income Category for 1997						
Census Tract Income Category	FNB-Howell			All Lenders		
	#	\$	%	#	\$	%
Low Income	0	0	0%	0	0	0%
Moderate Income	36	1,453,000	17%	494	37,012,000	6%
Middle Income	139	11,076,000	66%	6,042	662,374,000	68%
Upper Income	36	2,705,000	17%	2,261	301,602,000	25%
TOTAL	211	15,234,000	100%	8,797	1,000,988,000	100%

*\*Data Source: 1997 Internally Generated Reports.*



Census Tract Income Category	FNB-Howell			All Lenders		
	#	\$	%	#	\$	%
Low Income	0	0	0%	0	0	0%
Moderate Income	38	2,207,000	15%	799	68,821,000	5%
Middle Income	165	14,348,000	63%	10,348	1,271,604,000	68%
Upper Income	57	5,988,000	22%	4,167	602,920,000	27%
TOTAL	260	22,543,000	100%	8,797	1,934,345,000	100%

\*Data Source: 1998 HMDA-Loan/Application Register & 1998 Internally Generated Reports.

As shown in the above tables, the First National Bank in Howell's lending exceeds the overall percentage of families located in the two moderate-income tracts. Furthermore, during 1998 the bank's market share of loans made in the moderate-income tract was 4.76 percent, which exceeded the bank's overall market share of 1.69 percent. These observations were also made relative to 1997 data. The bank also exceeds all other competing financial institutions when lending within the two moderate-income tracts of Livingston County. The trend is also continued into the year 1999. Loans generated in 1999 within the two moderate-income tracts of Livingston County total 14 percent of the bank's lending activity, exceeding the percentage of families by income level per census tract by 5 percent.

### **Community Development - Services and Qualified Investments:**

During the past three years, the bank has donated \$56,000 to local non-profit organizations that provide community development and human services to low- and moderate-income families. The organizations and amounts donated are summarized below.

- Habitat for Humanity - A national organization that was developed for the sole purpose of providing housing for low- and moderate-income families.
- Christmas in April - A local organization that rehabilitates houses for low-income families.
- LACASA - A Livingston county organization that provides services such as food, shelter, and job training for abused women, who are primarily low- and moderate-income. The First National Bank in Howell also has donated a house to the LACASA organization for housing purposes and provides interest-free loans for the women who are residents of LACASA to purchase automobiles.
- Oakland Livingston Human Services Organization - An organization that provides temporary or emergency housing for low-income families.

In addition to the donations provided by the bank, bank employees also volunteer their time and service to these and other local organizations that provide community development services. For example, one senior loan officer has been named as one of the founding members for Habitat for Humanity. Another senior bank officer is an active member of the Housing Growth Alliance and various other community organizations.

### Complaints

There have been no CRA related complaints against the bank since the previous examination.

### Fair Lending

The First National Bank in Howell has policies and systems in place to ensure compliance with anti-discrimination laws and regulations. By selection of a random sample of real estate mortgages as part of our examination, we compared 20 approved, married applicants to 20 approved, single applicants to assess the consistency of rates and terms offered. The results of our assessment found that all applicants were treated similarly.