



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 1, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Ionia County National Bank
Charter # 14187
302 West Main Street
Ionia, Michigan 48846**

**Office of the Comptroller of the Currency
Kalamazoo Field Office
4341 South Westnedge, Suite 2108
Kalamazoo, Michigan 49008**

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 **Ionia County National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 1, 1997**. 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 “**Satisfactory Record of Meeting Community Credit Needs**”.

Ionia County National Bank (ICNB) exhibits a satisfactory CRA performance record. The bank is an active lender that conducts a substantial portion of its lending within its assessment area. This lending is reasonably distributed among all areas of the community and income groups including those with low- and moderate-income.

DESCRIPTION OF INSTITUTION

Ionia County National Bank (ICNB) is a \$149 million bank located in mid-Michigan, halfway between the cities of Lansing and Grand Rapids. ICNB is 100% owned by ICNB Financial Corporation, a one-bank holding company. The bank has 6 offices located in Ionia (4), Barry (1) and Kent (1) Counties. The Main office, Dexter drive-in office and Southside office are in, or near the City of Ionia, the remaining offices are located in Belding, Woodland, and Lowell. All offices have Saturday banking hours.

ICNB continues to be a community oriented, retail lending bank. The bank's \$106,828,000 loan portfolio, as of September, 1997, was comprised of 41% residential

real estate, 20% commercial, 19% consumer loans, 15% commercial real estate, and 5% agricultural and farmland credits. There are no financial or legal impediments that affect the bank's ability to meet the credit needs of its community. ICNB was rated satisfactory at its last CRA examination in March 28, 1995. During 1997, ICNB opened its Lowell branch in Kent County. Kent County is part of the Grand Rapids Metropolitan Statistical Area (MSA). As a result, beginning with 1998 data, ICNB will be a Home Mortgage Disclosure Act reporting bank.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

ICNB's assessment area consists of all of Ionia County and small adjacent portions of Barry, Kent and Montcalm Counties. The assessment area consists primarily of small towns and rural areas. It incorporates the bank's six offices and does not arbitrarily exclude low or moderate income geographies. The three Kent County census tracts, although part of the Grand Rapids MSA are reasonably similar to the rest of the assessment area and the entire area is treated as one assessment area for CRA purposes.

The assessment area is composed of twenty block numbering areas (BNA) or census tracts (Ionia County - 12, Barry County - 1, Kent County - 3, and Montcalm County - 4). Based on 1990 U.S. Census data, none are considered to be low or moderate income areas, fourteen are middle income and six are upper income. A total of 24,818 families are located in the assessment area with 14% low income, 17% moderate income, 22% middle income and 47% upper income. The area's 1997 median family income of \$37,285 exceeds the State's non-MSA median family income of \$35,800. The highest income areas are in Kent County and the lowest in Montcalm County.

Local economic conditions are good. Unemployment is low at less than 5%. State prison facilities in Ionia provide a stable source of employment. Other industry factors include automotive related suppliers and agriculture. The Lowell and Belding areas also benefit from their proximity to the Grand Rapids market and its strong economy. Competition is considered moderate and includes a larger bank headquartered in Ionia, a regional bank affiliate in Lowell and several credit unions. Credit needs in Ionia include continued expansion and upgrading of low and moderately priced housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN TO DEPOSIT RATIO -

ICNB's loan to deposit ratio is reasonable. ICNB is an active lender. The bank's average loan to deposit ratio since the prior CRA examination is 80%. This ratio has been trending upward and is currently 84%. This ratio is in the upper half of similarly sized Michigan banks. ICNB's loan growth has been centered in commercial and residential real estate.

LENDING IN ASSESSMENT AREA -

A substantial majority of the bank's lending is made to borrowers located inside the bank's assessment area. Data supporting this conclusion is depicted in the following table. It shows by loan type the number, dollar amount, and percentage of lending that occurred within the the assessment area. Consumer loans and residential mortgages are based on second quarter 1997 originations, while business loan information is from second and third quarter data.

Lending within the Assessment Area (AA)				
Loan Type	# Within AA	Percent within AA	\$ within AA (\$000's)	Percent within AA
Consumer loans & mortgages	426	81%	\$8,431	82%
Business Loans	261	87%	\$15,841	86%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

The bank effectively lends to borrowers of all income levels. We reviewed consumer and residential mortgage loans originated in the third quarter of 1997 to analyze the distribution of loans based upon the borrowers' income. Income categories were determined by comparing the borrowers income to the State's 1997 median family income level in non-MSA areas. The following table shows the distribution of those loans. In order to relate this distribution to the general population we listed the

percentage of families living in the bank's market area by their income level, using 1990 Census Data. Comparisons between the two demonstrate that loans are being reasonably extended to all segments of the population, especially to low and moderate income borrowers. The differences between the number of loans and dollar amount granted is not unusual as higher income borrowers are capable of qualifying for higher loan amounts.

Distribution of Consumer Loans and Mortgages by Borrower Income								
	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
Third Quarter 1997 Loans	21%	10%	15%	10%	32%	34%	32%	46%
AA Families	14%		17%		22%		47%	

We also reviewed lending to businesses and agricultural borrowers to assess the bank's volume of lending to small businesses and small farms. The bank effectively lends to businesses and farms of all income levels. Data for all second and third quarter business/farm purpose loans by borrower revenue is displayed in the following chart. A substantial percentage of the number of loans and approximately one-half of the dollar amount of credit extended went to businesses with revenue of less than one million dollars. The average loan amount to borrowers in this category is \$35,000.

Distribution of Business Loans by Revenue Size				
	Revenue < \$1Million		Revenue > \$1Million	
	#	\$ (000's)	#	\$ (000's)
2nd Qtr. 1997	126	\$4,965	17	\$4,022
3rdQtr. 1997	106	\$3,232	12	\$3,621
Total	232	\$8,197	29	\$7,643
%	88.9%	51.7%	11.1%	48.3%

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's geographic distribution of loans is good. There are no low or moderate income geographies so we performed only a limited analyses of this area. During the second quarter of 1997, ICNB extended consumer or residential mortgage credit to all 20 tract areas in its assessment area. Combining second and third quarter 1997 business loan information, ICNB extended credit to 18 of the 20 tracts. This demonstrates that the bank is successfully extending credit throughout its assessment area.

RESPONSE TO COMPLAINTS

The bank has not received any complaints from the public or the OCC regarding its performance in meeting assessment area credit needs.