

PUBLIC DISCLOSURE

March 14, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank
RSSD# 113740

16100 East Nine Mile Road
Eastpointe, Michigan 48021

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

TABLE OF CONTENTS

INSTITUTION'S CRA RATING	2
SCOPE OF EXAMINATION	2
DESCRIPTION OF INSTITUTION	4
DESCRIPTION OF ASSESSMENT AREA	5
CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA	10
LENDING TEST	10
COMMUNITY DEVELOPMENT TEST.....	19
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW	20
APPENDIX A – MAP OF ASSESSMENT AREA	21
APPENDIX B - 2019 LENDING TABLES	22
APPENDIX C – SCOPE OF EXAMINATION	25
APPENDIX D – GLOSSARY	26

INSTITUTION'S CRA RATING

First State Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

First State Bank (FSB) is meeting the credit needs of its assessment area based on an analysis of lending and community development activities. The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment area. A majority of the bank's loans were originated inside the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Loan distribution reflects reasonable penetration among individuals of different income levels and among businesses of different sizes. Neither First State Bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

The bank's community development performance demonstrates adequate responsiveness to community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity, need, and availability of such opportunities within the assessment area.

SCOPE OF EXAMINATION

First State Bank's CRA performance was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examinations Council (FFIEC). The evaluation was performed within the context of information about the institutions and its assessment area including asset size, financial condition, competition, and economic and demographic characteristics.

The evaluation included a full-scope review of the bank's single assessment area located in the Warren-Troy-Farmington Hills, Michigan Metropolitan Division (MD) #47664. Loan products reviewed include Home Mortgage Disclosure Act (HMDA)-reportable loans originated in 2019 and 2020, as well as small business loans originated in 2021. These products are considered the bank's primary business lines based on volume by number and dollar amount. For purposes of this analysis, 2020 HMDA loans and 2021 small business loans were used to drive the rating, while 2019 HMDA loans were used primarily for comparison purposes. Both products were assigned equal weight. Lending tables for 2019 HMDA-reportable loans are available in Appendix B for informational reference.

Performance within the designated assessment areas was evaluated using intermediate-small bank examination procedures based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 13-quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors;
- ***Lending in the Assessment Area*** – Samples of the bank’s HMDA-reportable loans originated from January 1, 2019 – December 31, 2020, and small business loans originated from January 1, 2021 – December 31, 2021, were reviewed to determine the percentage of loans originated within the assessment area;
- ***Geographic Distribution of Lending in the Assessment Area*** – Samples of the bank’s HMDA-reportable loans from January 1, 2019 – December 31, 2020, and small business loans originated from January 1, 2021 – December 31, 2021, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income;
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – Samples of the bank’s HMDA-reportable loans from January 1, 2019 – December 31, 2020, and small business loans originated from January 1, 2021 – December 31, 2021, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes;
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness; and
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from January 23, 2019 – March 14, 2022, were reviewed while considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. These individuals represent organizations involved with economic development and affordable housing.

DESCRIPTION OF INSTITUTION

FSB is a wholly owned subsidiary of First State Financial Corporation, a single bank holding company, headquartered in St. Clair Shores, Michigan. The bank operates twelve locations, each with a full-service automated teller machine (ATM) within the assessment area. Eleven locations, including the main office, are located in Macomb County, along with a loan production office (LPO) and an operations center. One branch office and one ATM are located in Oakland County. The Oakland branch recently opened in March 2020.

According to the Uniform Bank Performance Report (UBPR), as of December 31, 2021, FSB reported assets of \$937.2 million. FSB provides a wide range of conventional lending and deposit services to meet the needs of the consumers, businesses, municipalities, and non-profit organizations operating within its assessment area.

FSB's loan portfolio is primarily concentrated in commercial lending, followed by residential real estate (RRE) lending. The bank offers standard commercial products including real-estate and non-real estate secured Small Business Administration (SBA) loans, term loans, and business lines of credit. The bank also participated in Paycheck Protection Program (PPP) lending in response to the COVID-19 pandemic. Residential real estate loans include in-house and secondary market purchase and refinance loans, as well as bridge and construction loans. Consumer product offerings primarily include home equity lines of credit (HELOCs), closed-end home equity loans, and new and used direct vehicle loans. The bank also offers traditional interest and non-interest-bearing deposit products such as checking and savings accounts, negotiable order of withdrawal (NOW), certificate of deposit (CD), and Money Market accounts.

As noted above, FSB is predominantly a commercial lender, as commercial loans comprise 65.1 percent of the bank's loan portfolio. Residential real estate loans represent 22.9 percent, while Other loans, primarily consisting of loans to non-depository institutions, represented 11.5 percent of the total loan portfolio. The remainder of the portfolio consists of consumer loans. Details of the loan portfolio composition are provided in the following table.

Composition of Loan Portfolio as of December 31, 2021		
Loan Type	Dollar Volume (\$ in 000's)	% Of Portfolio
Commercial	317,039	65.1
Residential Real Estate	111,642	22.9
Other	56,081	11.5
Consumer	2,533	0.5
Agriculture	0	0.0
Total	487,295	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated **satisfactory** under the CRA at its previous evaluation conducted on January 22, 2019.

DESCRIPTION OF ASSESSMENT AREA

FSB maintains one assessment area within the Warren-Troy-Farmington Hills, Michigan Metropolitan Division (MD) #47664 (Warren-Troy-Farmington Hills, MI MD). The bank's assessment area consists of the entirety of Macomb and Oakland Counties, as well as the southern half of St. Clair County. The assessment area consists of 573 census tracts including 174 low- or moderate-income, 230 middle-income, 163 upper-income, and six census tracts with unknown income designation. None of the middle-income census tracts within the assessment area are considered distressed or underserved. The assessment area has changed since the previous evaluation and now includes the western portion of Oakland County, which the bank now includes due to increased lending in the area as well as a branch that was opened in March 2020.

According to the June 30, 2021, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, First State Bank ranks 11th out of 34 FDIC-insured institutions for deposit market share within the assessment area. The bank held \$895.6 million in deposits, representing 0.8 percent of the total deposit market share in the assessment area. By comparison, the top three institutions by market share were Bank of America (21.7 percent), JP Morgan Chase Bank (15.4 percent), and Flagstar Bank (12.7 percent). The 33 institutions competing for deposits and loans with FSB have 522 offices in the assessment area.

Demographic information regarding the assessment area is provided in the following table. Demographics of the assessment area in 2019 are located in Appendix B.

Assessment Area: 2021 Warren-Troy-Farmington Hills, MI MD 47664								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	43	7.5	31,276	5.6	10,079	32.2	118,256	21.1
Moderate-income	131	22.9	114,432	20.4	17,051	14.9	96,490	17.2
Middle-income	230	40.1	226,753	40.4	13,839	6.1	113,029	20.2
Upper-income	163	28.4	188,155	33.6	6,340	3.4	232,841	41.5
Unknown-income	6	1.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	573	100.0	560,616	100.0	47,309	8.4	560,616	100.0
Housing Units by Tract	Housing Types by Tract							
	Owner-Occupied		Rental		Vacant			
	#	%	#	%	#	%	#	%
Low-income	66,065	23,667	3.9	35.8	32,791	49.6	9,607	14.5
Moderate-income	213,950	115,889	18.9	54.2	79,572	37.2	18,489	8.6
Middle-income	373,436	259,328	42.3	69.4	89,888	24.1	24,220	6.5
Upper-income	264,316	213,596	34.9	80.8	37,856	14.3	12,864	4.9
Unknown-income	63	0	0.0	0.0	4	6.3	59	93.7
Total Assessment Area	917,830	612,480	100.0	66.7	240,111	26.2	65,239	7.1
Total Businesses by Tract	Businesses by Tract & Revenue Size							
	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
	#	%	#	%	#	%	#	%
Low-income	6,763	5.7	5,646	5.3	1,069	10.1	48	5.6
Moderate-income	25,795	21.8	22,560	21.1	3,063	28.9	172	20.0
Middle-income	41,344	35.0	38,221	35.8	2,865	27.0	258	30.0
Upper-income	43,789	37.0	39,980	37.5	3,429	32.4	380	44.2
Unknown-income	506	0.4	334	0.3	170	1.6	2	0.2
Total Assessment Area	118,197	100.0	106,741	100.0	10,596	100.0	860	100.0
	Percentage of Total Businesses:			90.3		9.0		0.7
Total Farms by Tract	Farms by Tract & Revenue Size							
	Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
	#	%	#	%	#	%	#	%
Low-income	15	2.4	15	2.5	0	0.0	0	0.0
Moderate-income	79	12.8	77	12.9	2	11.1	0	0.0
Middle-income	306	49.6	299	49.9	7	38.9	0	0.0
Upper-income	217	35.2	208	34.7	9	50.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	617	100.0	599	100.0	18	100.0	0	0.0
	Percentage of Total Farms:			97.1		2.9		0.0
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

Population Change

The following table presents the population trends for the assessment area, the counties comprising the assessment area, and the state of Michigan from 2010 to 2015. According to the U.S. Census Bureau demographic data, the assessment area’s population in 2015 was 2,139,742, an increase of 1.9 percent in 2010. Of the individual counties in the assessment area, Macomb and Oakland Counties experienced an increase in total population of 1.6 and 2.3 percent, respectively. The only population decrease was seen in St. Clair County, decreasing by 1.6 percent during the period. A community representative attributed the increase in populations to increased job opportunities and the proximity to Detroit metro area. In addition, the representative mentioned that Macomb and Oakland offer more affordable housing options than other counties and the city of Detroit.

Population Change 2010 and 2015			
Area	2010 Population	2011-2015 Population	Percentage Change
Assessment Area	2,099,594	2,139,742	1.9
Macomb County, MI	840,978	854,689	1.6
Oakland County, MI	1,202,362	1,229,503	2.3
St Clair County, MI	163,040	160,429	-1.6
Warren-Troy-Farmington Hills, MI MD	2,475,666	2,517,447	1.7
Michigan	9,883,640	9,900,571	0.2
<i>Source: 2010—U.S. Census Bureau: Decennial Census 2011-2015—U.S. Census Bureau: American Community Survey</i>			

Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 560,616 families, of which 21.1 percent are designated as low-income, 17.2 percent are moderate-income, 20.2 percent are middle-income, and 41.5 percent are upper-income. Families living below the poverty level within the assessment area make up 8.4 percent of families.

The following table presents median family income (MFI) for families living in the assessment area, the counties comprising the assessment area, and the state of Michigan from 2010 to 2015. According to the 2011-2015 American Community Survey (ACS), the median family income (MFI) for the assessment area in 2015 was \$77,374, a decrease of 6.6 percent. Similarly, all comparable geographies within the bank’s assessment area experienced similar decreases in median family incomes with Macomb County experiencing the greatest decrease of 7.7 percent.

Median Family Income Change			
Area	2010 Median Family Income	2015 Median Family Income	Percentage Change (%)
Assessment Area	82,889	77,374	-6.6
Macomb County, MI	73,420	67,785	-7.7
Oakland County, MI	92,325	87,216	-5.5
St Clair County, MI	65,303	61,848	-5.3
Warren-Troy-Farmington Hills, MI MD	82,013	76,739	-6.4
Michigan	65,708	62,247	-5.3
<i>Source: 2006-2010 U.S. Census Bureau American Community Survey 2011-2015 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.</i>			

Housing Characteristics

The bank’s assessment area contains a total of 917,830 housing units. The majority of housing units are owner-occupied at 66.7 percent, while 26.2 percent are rental units, and 7.1 percent of housing units are vacant.

The following table represents recent housing cost burden for individuals within the assessment area and the state of Michigan. The cost burden is a measure of affordability via a comparative analysis of individuals of different income levels that spend 30.0 percent or more of their income on housing costs. As evidenced by the following table, low-income individuals are generally impacted at a higher rate than moderate-income individuals as both renters and owners.

Of the assessment area counties, for renters, Macomb County has the highest proportion of renters who meet the cost burden criteria at 45.3 percent, with St. Claire and Oakland Counties at 44.0 and 39.5 percent, respectively. Comparatively, the state of Michigan had a renter cost burden criteria at 44.6 percent. In terms of owner cost burden criteria, St. Claire County had the highest proportion of owners who meet the cost burden criteria at 20.2 percent, followed by closely by Macomb and Oakland Counties at 19.6 and 19.3 percent, respectively. These owner burden criteria percentages were comparable to the state of Michigan at 19.7 percent.

Community representatives stated there is a need for homeownership opportunities, especially for low- and moderate-income families. Representatives also expressed concerns with the housing stock in the assessment area, noting that single-family housing permits have generally slowed over the past decade since the 2008 Great Recession. Representatives also mentioned that the COVID-19 pandemic has put further strain on single- and multi-family housing projects partially due to increased costs associated with construction projects. In addition, the representative stated that high-income earners have stayed in the rental market, causing a substantial increase in rental prices since 2008.

Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area Counties	78.7	48.2	41.9	70.2	36.8	19.5
Macomb County, MI	80.9	47.3	45.3	67.5	33.0	19.6
Oakland County, MI	78.2	50.7	39.5	73.7	42.8	19.3
St. Clair County, MI	71.5	31.2	44.0	65.8	27.1	20.2
Warren-Troy-Farmington Hills, MI						
MD	78.7	46.7	42.0	69.6	36.3	19.5
Michigan	75.7	39.7	44.6	65.8	31.8	19.7
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2013-2017 Comprehensive Housing Affordability Strategy</i>						

Employment Characteristics

The following table presents the unemployment trends of the counties in the assessment area and the state of Michigan from 2017 to 2020.

Overall, unemployment rates remained consistent across all counties from 2017 through 2019. However, from 2019 to 2020, all counties in the assessment area experienced significant increases in unemployment rates. The unemployment rates within the assessment area counties align with unemployment trends in the state of Michigan at 9.9 percent.

Community representatives indicated that the 2020 increase was due to the COVID-19 pandemic, but noted that conditions are slowly improving. As a result of the pandemic, the assessment area has experienced significant small business closures. While small businesses are beginning to recover from the COVID-19 pandemic, many are consistently looking for workers to fill open positions. Representatives noted there is a high demand for both skilled and entry level employees. Additionally, employers are struggling with job retention, due to low wages and lack of cost-of-living increases.

Unemployment Rates (%)				
Area	2017	2018	2019	2020
Assessment Area Counties	3.9	3.7	3.9	10.5
Macomb County, MI	4.3	4.1	4.3	12.0
Oakland County, MI	3.5	3.4	3.5	9.3
St. Clair County, MI	5.1	4.8	5.0	12.0
Warren-Troy-Farmington Hills, MI	3.9	3.7	3.9	10.4
MD				
Michigan	4.6	4.2	4.1	9.9
<i>Source: Bureau of Labor Statistics: Local Area Unemployment Statistics (LAUS)</i>				

Industry Characteristics

According to location quotients developed by the U.S. Bureau of Labor Statistics, the assessment area contains a diverse employment base and is heavily impacted by the industries of manufacturing, healthcare, and education. As stated previously, community representatives noted that the COVID-19 pandemic is still impacting the labor market, with many employers searching for skilled and entry level employees.

Community Representatives

Two community representatives were contacted to provide context regarding the local economic and housing conditions within the assessment area. They indicated that economic conditions are stabilizing despite the COVID-19 pandemic. However, one representative noted concerns with the labor shortage, which has placed businesses in competition with each other to acquire and retain talent. Additionally, the pandemic has further exacerbated the labor shortage concern. The need for more housing developments, including affordable options, ranked among the top concerns from the representatives due to the slowing of single- and multi-family housing permits over the past decade.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

First State Bank’s performance relative to the lending test is **Satisfactory**. The loan-to-deposit ratio is reasonable given the bank’s size, financial condition, and assessment area credit needs. The majority of home mortgage and small business loans were originated in the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes.

Loan-to-Deposit Ratio

First State Bank’s loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment area(s), considering, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments. As of December 31, 2021, the bank’s LTD ratio averaged 66.5 percent over the thirteen-quarter period. Overall, the bank’s LTD ratio was lower than its local competitors over the same 13-quarter period. Bank management stated that this was due to market saturation especially of commercial business loans. Further, bank management indicated that loan numbers decreased due to closures of small businesses in the area. The following table compares the bank’s LTD ratio to its local competitors which range significantly in terms of asset size.

Comparative Loan-to-Deposit Ratios as of December 31, 2021	
Comparative Data	13-Quarter Average (%)
First State Bank, Eastpointe, MI	66.5
Peer Avg – Local	85.2
Competitors	
Bank Ann Arbor	85.7
Level One Bank	92.1
First MRCHS Bank	77.1
County National Bank	89.9
Premier Bank	92.6
Honor Bank	87.4
Alden St Bank	71.7

Assessment Area Concentration

First State Bank originated a majority of its loans, and as appropriate, other lending-related activities in the bank’s assessment area. During the evaluation period, FSB originated 79.2 percent of all loans by number within its assessment area. Amongst HMDA related loans, the bank originated 79.2 of loans by number within the assessment area. The concentration of HMDA loans substantially increased since the previous evaluation when the bank originated 61.6 percent by number inside the assessment area. Amongst small business loans, the bank originated 79.7 percent of loans by number within its assessment area. The concentration of small business loans also increased since the previous evaluation, when the bank originated 77.3 percent by number within the assessment area. Ultimately, the percentage of home mortgage loans, and small business originations within the assessment area indicates the bank’s responsiveness to assessment area credit needs. The following table summarizes the bank’s lending inside and outside its assessment area for HMDA-reportable loans from January 1, 2019, through December 31, 2020, and small business loans from January 1, 2021, through December 31, 2021.

Assessment Area Concentration								
Loan Type	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Improvement	2	100.0	40	100.0	0	0.0	0	0.0
Home Purchase - Conventional	581	79.3	121,414	80.0	152	20.7	30,321	20.0
Home Purchase - FHA	81	61.8	13,205	62.9	50	38.2	7,774	37.1
Home Purchase - VA	15	88.2	4,028	92.3	2	11.8	335	7.7
Multi-Family Housing	6	100.0	3,851	100.0	0	0.0	0	0.0
Refinancing	712	81.4	137,929	79.4	163	18.6	35,692	20.6
Total HMDA Related Loans	1,397	79.2	280,466	79.1	367	20.8	74,122	20.9
Small Business	102	79.7	13,107	75.2	26	20.3	4,321	24.8
Total Small Bus. Related	102	79.7	13,107	75.2	26	20.3	4,321	24.8
Total Loans	1,499	79.2	293,573	78.9	393	20.8	78,442	21.1
<i>Note: Percentages may not add to 100.0 percent due to rounding.</i>								
<i>Note: Affiliate loans not included</i>								

Geographic and Borrower Distribution

First State Bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment areas, including low- and moderate-income (LMI) geographies. In addition, the borrower distribution reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes.

Geographic Distribution of Loans

First State Bank demonstrated a reasonable geographic distribution of loans given the bank's assessment area. Due to a lack of originations in other product categories, only home purchase and refinance loans were analyzed for HMDA-reportable loans.

An analysis of the dispersion of loans throughout the assessment area was conducted to identify any conspicuous gaps in lending. The assessment area contains 573 total census tracts, of which 43 are low-income and 131 are moderate-income. In 2020, the bank originated loans in 59.2 percent of the 573 total census tracts, which includes penetration of 87 of the 174 (50.0 percent) low- and moderate-income census tracts. Based upon this analysis, it was determined that bank is lending in a majority of census tracts within its assessment area, and there were no unexplained or conspicuous gaps in contiguous census tracts. A detailed discussion of HMDA-reportable and small business lending in relation to aggregate and census demographics is provided below.

HMDA-Reportable Loans

FSB's distribution of loans reflects reasonable dispersion of lending throughout the bank's assessment area. In 2020, FSB originated 1.4 percent of its home mortgage loans in low-income census tracts, comparable to the aggregate lender (1.6 percent), but below the percentage of owner-occupied units located in those geographies at 3.9 percent. Conversely, the bank originated 16.8 percent of its home mortgage loans in moderate-income census tracts, above the aggregate of lenders at 14.0 percent but below the percentage of owner-occupied units at 18.9 percent.

Home Purchase Loans

In 2020, the bank originated 344 home purchase loans which accounted for 39.2 percent of the bank's total HMDA-reportable loan portfolio. Within low-income census tracts, the bank originated 2.0 percent of the total home purchase loans. The bank's performance was comparable to the aggregate of lenders at 3.3 percent and the percentage of owner-occupied housing units at 3.9 percent. Within moderate-income census tracts, the bank originated 22.7 percent of the total home purchase loans. The bank's performance was comparable to the aggregate lenders at 20.2 percent and above the percentage of owner-occupied housing units at 18.9 percent.

The bank's geographic distribution of home purchase loans in 2019 is consistent with its performance in 2020. Please refer to Appendix B for 2019 figures.

Refinance Loans

In 2020, FSB originated 533 refinance loans, or 60.8 percent of the bank's total HMDA-reportable loan portfolio. Within low-income census tracts, the bank originated 0.9 percent of its refinance loans. The bank's performance was consistent with the aggregate of lenders at 0.8 percent but below the percentage of owner-occupied units at 3.9 percent. Within moderate-income census tracts, the bank originated 12.9 percent of refinance loans. The bank's performance comparable to the aggregate of lenders at 11.4 percent but below the percentage of owner-occupied housing units at 18.9 percent.

The geographic distribution of refinances when compared to the previous year of 2019 shows a significant increase in the bank's origination volume, particularly in low-, moderate- and upper-income census tracts. This is attributed to low interest rates and circumstances surrounding the COVID-19 pandemic. The following table presents the bank's 2020 HMDA-reportable lending compared to the aggregate lenders and selected demographic data. Please refer to Appendix B for 2019 HMDA-reportable lending tables.

Geographic Distribution of HMDA Reportable Loans								
Assessment Area: 2020 Warren-Troy-Farmington Hills, MI MD 47664								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		Count		Dollar		Agg \$ %		
		#	%	\$ (000s)	%			
Home Purchase	Low	7	2.0	3.3	641	0.9	1.4	3.9
	Moderate	78	22.7	20.2	10,920	15.0	13.1	18.9
	Middle	153	44.5	41.7	30,715	42.1	37.5	42.3
	Upper	106	30.8	34.9	30,713	42.1	48.0	34.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	344	100.0	100.0	72,990	100.0	100.0	100.0
Refinance	Low	5	0.9	0.8	317	0.3	0.4	3.9
	Moderate	69	12.9	11.4	8,082	7.7	7.3	18.9
	Middle	268	50.3	39.9	47,609	45.4	34.0	42.3
	Upper	191	35.8	47.9	48,881	46.6	58.3	34.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	533	100.0	100.0	104,889	100.0	100.0	100.0
Home Improvement	Low	0	0.0	1.6	0	0.0	0.8	3.9
	Moderate	0	0.0	11.9	0	0.0	7.7	18.9
	Middle	0	0.0	40.5	0	0.0	34.8	42.3
	Upper	0	0.0	45.9	0	0.0	56.8	34.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Multi-Family	Low	0	0.0	12.5	0	0.0	10.4	12.6
	Moderate	0	0.0	33.9	0	0.0	20.3	32.2
	Middle	0	0.0	41.1	0	0.0	49.2	39.8
	Upper	0	0.0	12.5	0	0.0	20.1	15.5
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose LOC	Low	0	0.0	1.0	0	0.0	0.4	3.9
	Moderate	0	0.0	9.7	0	0.0	5.7	18.9
	Middle	0	0.0	36.9	0	0.0	30.0	42.3
	Upper	0	0.0	52.4	0	0.0	63.9	34.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	3.5	0	0.0	1.1	3.9
	Moderate	0	0.0	16.4	0	0.0	7.6	18.9
	Middle	0	0.0	41.5	0	0.0	26.2	42.3
	Upper	0	0.0	38.5	0	0.0	65.1	34.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	4.8	0	0.0	2.3	3.9
	Moderate	0	0.0	28.3	0	0.0	25.3	18.9
	Middle	0	0.0	45.9	0	0.0	43.0	42.3
	Upper	0	0.0	21.0	0	0.0	29.4	34.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	12	1.4	1.6	958	0.5	0.9	3.9
	Moderate	147	16.8	14.0	19,001	10.7	9.3	18.9
	Middle	421	48.0	40.5	78,324	44.0	35.3	42.3
	Upper	297	33.9	43.9	79,595	44.7	54.5	34.9
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	Total	877	100.0	100.0	177,878	100.0	100.0	100.0

Originations & Purchases
2016 FFIEC Census Data

Note: Percentages may not add to 100.0 percent due to rounding

Small Business Loans

FSB’s geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. In 2021, the bank originated 102 small business loans within the assessment area of which 8.8 percent were in low-income census tracts. The bank’s performance exceeded the percentage of total businesses operating in low-income census tracts at 5.7 percent. Within moderate-income census tracts, the bank originated 29.4 percent of its small business loans. The bank again exceeded the percentage of total businesses located in moderate-income census tracts at 21.8 percent. The following table presents the geographic distribution of small business loans in 2021 in the assessment area.

Geographic Distribution of Small Business Loans						
Assessment Area: 2021 Warren-Troy-Farmington Hills, MI MD 47664						
	Tract Income Levels	Bank & Demographic Comparison				
		Count Bank		2021 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	9	8.8	961	7.3	5.7
	Moderate	30	29.4	3,381	25.8	21.8
	Middle	44	43.1	4,893	37.3	35.0
	Upper	19	18.6	3,872	29.5	37.0
	Unknown	0	0.0	0	0.0	0.4
	Total	102	100.0	13,107	100.0	100.0
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank’s overall distribution of loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes. Due to a lack of originations in other product categories, only home purchase and refinance loans were analyzed for HMDA-reportable loans.

HMDA-Reportable Loans

The borrower distribution of HMDA-reportable loans to borrowers of varying incomes reflects excellent penetration throughout the assessment area. In 2020, the bank’s lending to low-income borrowers at 12.0 percent was above the aggregate of lenders at 9.2 percent, but below the percentage of families by family income at 21.1 percent. Amongst moderate-income borrowers, the bank’s performance at 25.1 percent was above both the aggregate of lenders at 19.4 percent and the percentage of moderate-income families in the assessment area at 17.2 percent. Listed below is a detailed breakdown of home mortgage and refinance loans.

Home Purchase Loans

In 2020, FSB originated 53 loans, or 15.4 percent of its home purchase portfolio, to low-income borrowers. The bank's performance is comparable to the aggregate of lenders at 14.8 percent, but below the percentage of low-income families located in the assessment area at 21.1 percent. Amongst moderate-income borrowers, the bank originated 29.1 percent of its home purchase loans. The bank's performance was above both the aggregate of lenders at 25.5 percent and the percentage of families by family income at 17.2 percent.

The bank's performance in 2019 was consistent with its performance in 2020. Please refer to Appendix B for 2019 figures.

Refinance Loans

In 2020, FSB originated 52 loans, or 9.8 percent of its refinance loan portfolio, to low-income borrowers, which is comparable to the aggregate of lenders at 7.1 percent, but below the percentage of low-income families located in the assessment area at 21.1 percent. The bank originated 120 loans, or 22.5 percent of its refinance loan portfolio, to moderate-income borrowers, which is above both the aggregate of lenders at 17.4 percent and the percentage of families by family income at 17.2 percent.

When compared to 2019, the bank increased the overall volume of refinance originations in 2020. The following table presents the bank's 2020 HMDA-reportable lending compared to the aggregate lenders and selected demographic data. Please refer to Appendix B for 2019 figures.

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2020 Warren-Troy-Farmington Hills, MI MD 47664								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2020			Dollar			
		Count Bank		Agg %	Bank		Agg \$ %	
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	53	15.4	14.8	6,528	8.9	8.1	21.1
	Moderate	100	29.1	25.5	17,566	24.1	19.4	17.2
	Middle	89	25.9	22.7	19,853	27.2	22.5	20.2
	Upper	100	29.1	27.8	28,829	39.5	40.7	41.5
	Unknown	2	0.6	9.3	214	0.3	9.3	0.0
	Total	344	100.0	100.0	72,990	100.0	100.0	100.0
Refinance	Low	52	9.8	7.1	6,065	5.8	3.7	21.1
	Moderate	120	22.5	17.4	17,679	16.9	12.2	17.2
	Middle	152	28.5	24.9	30,059	28.7	22.6	20.2
	Upper	184	34.5	38.2	46,940	44.8	49.2	41.5
	Unknown	25	4.7	12.4	4,146	4.0	12.4	0.0
	Total	533	100.0	100.0	104,889	100.0	100.0	100.0
Home Improvement	Low	0	0.0	9.1	0	0.0	5.8	21.1
	Moderate	0	0.0	17.7	0	0.0	13.1	17.2
	Middle	0	0.0	24.1	0	0.0	20.0	20.2
	Upper	0	0.0	46.7	0	0.0	57.5	41.5
	Unknown	0	0.0	2.4	0	0.0	3.7	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	21.1
	Moderate	0	0.0	0.0	0	0.0	0.0	17.2
	Middle	0	0.0	0.0	0	0.0	0.0	20.2
	Upper	0	0.0	3.6	0	0.0	1.8	41.5
	Unknown	0	0.0	96.4	0	0.0	98.2	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose LOC	Low	0	0.0	10.4	0	0.0	6.8	21.1
	Moderate	0	0.0	16.2	0	0.0	11.5	17.2
	Middle	0	0.0	20.8	0	0.0	15.7	20.2
	Upper	0	0.0	51.3	0	0.0	64.8	41.5
	Unknown	0	0.0	1.3	0	0.0	1.3	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	12.6	0	0.0	6.2	21.1
	Moderate	0	0.0	19.2	0	0.0	9.8	17.2
	Middle	0	0.0	22.4	0	0.0	13.8	20.2
	Upper	0	0.0	39.8	0	0.0	57.6	41.5
	Unknown	0	0.0	6.0	0	0.0	12.6	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	0.1	0	0.0	0.0	21.1
	Moderate	0	0.0	0.4	0	0.0	0.4	17.2
	Middle	0	0.0	0.1	0	0.0	0.0	20.2
	Upper	0	0.0	0.3	0	0.0	0.7	41.5
	Unknown	0	0.0	99.1	0	0.0	98.9	0.0
	Total	0	0.0	100.0	0	0.0	100.0	100.0
HMDA Totals	Low	105	12.0	9.2	12,593	7.1	4.9	21.1
	Moderate	220	25.1	19.4	35,244	19.8	13.9	17.2
	Middle	241	27.5	23.9	49,912	28.1	21.8	20.2
	Upper	284	32.4	35.4	75,769	42.6	45.8	41.5
	Unknown	27	3.1	12.2	4,360	2.5	13.6	0.0
	Total	877	100.0	100.0	177,878	100.0	100.0	100.0

Originations & Purchases
2016 FFIEC Census Data

Note: Percentages may not add to 100.0 percent due to rounding

Small Business Loans

The distribution of FSB’s small business loans reflects reasonable penetration among businesses of different sizes. In 2021, FSB originated 31.4 percent of its small business loans to small businesses with annual revenues of \$1 million or less, falling substantially below the percentage of small businesses operating in the assessment area at 90.3 percent. The implementation of the Small Business Administration’s Paycheck Protection Program (PPP) did not require banks to obtain proof of annual revenue prior to extending credit through the program. Therefore, the bank’s 2021 lending reflects an abnormally high number of loans with unknown revenues. As a result, an increased emphasis was placed on the loan size instead of revenue as loans in amounts of \$100,000 or less are considered most beneficial to the financing needs of small business borrowers and are considered particularly responsive to the challenges of small businesses from the COVID-19 pandemic. In 2021, 63.7 percent of the bank’s loan originations were in amounts of \$100,000 or less. Further, of the 31.4 percent of loans originated to small businesses with revenues of \$1 million or less, 87.5 percent were originated in amounts of \$100,000 or less. Loans in amounts of \$100,000 or less are considered more responsive to business needs demonstrating the bank’s willingness to meet small business credit needs within the assessment area.

The following table presents the bank's 2021 small business lending compared to the selected demographic data.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2021 Warren-Troy-Farmington Hills, MI MD 47664							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Businesses %	
Revenue	Loan Size	Count Bank	Dollar Bank				
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	32	31.4	2,897	22.1	90.3
		Over \$1 Million	48	47.1	8,812	67.2	9.0
		Unknown	22	21.6	1,398	10.7	0.7
		Total	102	100.0	13,107	100.0	100.0
	Loan Size	\$100,000 or Less	65	63.7	3,041	23.2	
		\$100,001 - \$250,000	22	21.6	3,605	27.5	
		\$250,001 - \$1 Million	15	14.7	6,460	49.3	
		Total	102	100.0	13,106	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	28	87.5	1,021	35.2	
		\$100,001 - \$250,000	2	6.3	295	10.2	
		\$250,001 - \$1 Million	2	6.3	1,582	54.6	
		Total	32	100.0	2,898	100.0	
Originations & Purchases							
2021 FFIEC Census Data & 2021 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

Response to Complaints

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory.

Lending, Investment, and Services Activities

First State Bank demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. This conclusion is supported by the increase in the bank's community development lending, that in many cases financed activities intended to help its communities weather the effects of the COVID-19 pandemic.

Lending

During the review period of January 23, 2019, through March 14, 2022, the bank originated 45 community development loans totaling \$27.8 million within its assessment area. Of these, four were renewed loans with or without increases. Overall, the majority of community development loans were made to entities engaged in revitalization and stabilization, representing 66.7 percent of community development loans, respectively.

Discussions with community representatives contacted for this evaluation indicated that the assessment area would benefit from new housing construction, as residential development projects have been slow to start since the recession. The bank originated several affordable housing and economic development loans with the intent of new home development and residential real estate rehabilitation, including some with the purpose of affordable housing. The concentration of these types of loans indicates a level of responsiveness to the assessment area's credit needs.

Investments

During the evaluation period, FSB did not originate any community development investments, however, the bank provided a total of 53 donations totaling \$318,640. These donations were made to different organizations that primarily provide community services to support low- and moderate-income individuals and families. This represents an increase since the prior evaluation where the bank submitted donations totaling \$82,500. Of these donations, the bank has one donation through its partnership with Macomb Planning and Economic Development (MEDC/MCPECD), that qualifies under the declared disaster designation as revitalize/stabilize as this was a direct response to the Governor's public health shelter in place order.

Services

FSB staff provided 413.5 hours of community development services since the previous evaluation to 18 unique organizations. A majority of bank personnel are involved with financial literacy programs and non-profit organizations. Bank employees also serve as financial experts, board members, and planning committee member of organizations. The following table summarizes the bank's qualified community development activities.

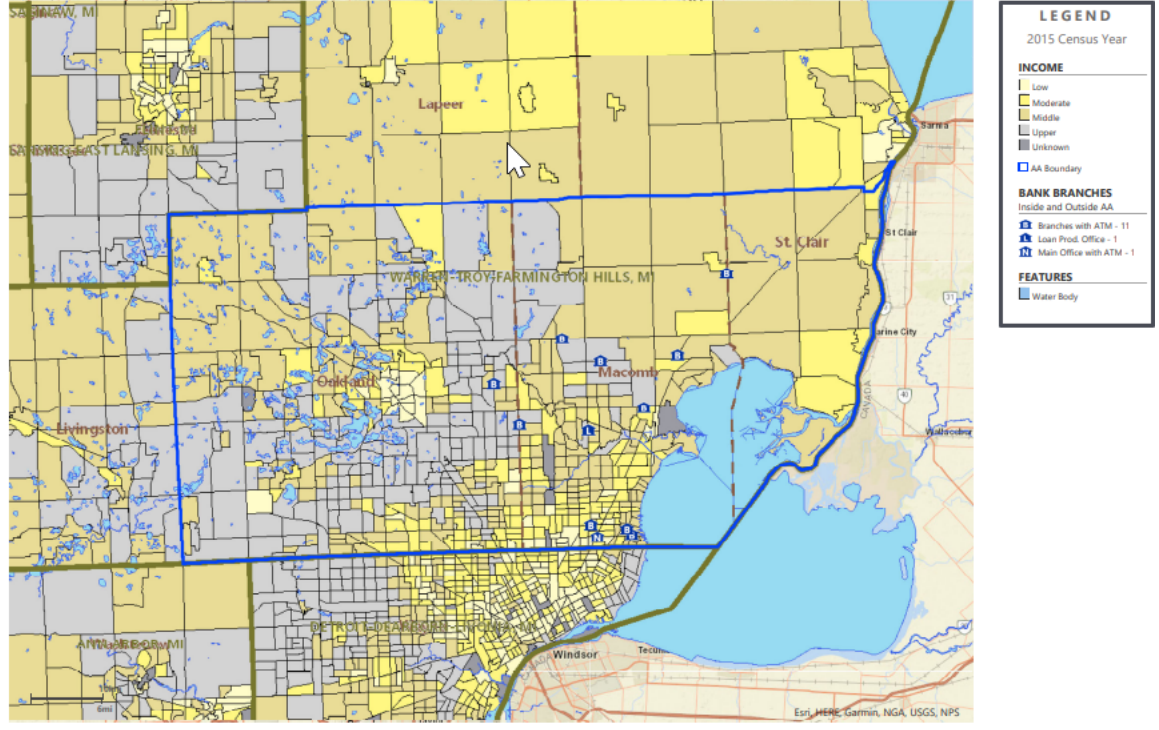
Summary of CD Activities										
Review Period: January 23, 2019 – March 14, 2022										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Lending	10	7,709,500	4	1,450,000	30	17,967,361	1	696,000	45	27,822,861
Investment	0	0	0	0	0	0	0	0	0	0
Donations	8	24,850	10	58,450	3	111,111	32	124,229	53	318,640
Services	1	0	2	187.5	3	10	12	216	18	413.5

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Maps of Assessment Areas

First State Bank 113740
Warren-Troy-Farmington Hills, MI MD 47664



APPENDIX B – 2019 Lending tables

Assessment Area: 2019 Warren-Troy-Farmington Hills, MI MD 47664									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	43	7.5	31,276	5.6	10,079	32.2	118,256	21.1	
Moderate-income	131	22.9	114,432	20.4	17,051	14.9	96,490	17.2	
Middle-income	230	40.1	226,753	40.4	13,839	6.1	113,029	20.2	
Upper-income	163	28.4	188,155	33.6	6,340	3.4	232,841	41.5	
Unknown-income	6	1.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	573	100.0	560,616	100.0	47,309	8.4	560,616	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied				Rental		Vacant	
		#	%	%	#	%	#	%	
Low-income	66,065	23,667	3.9	35.8	32,791	49.6	9,607	14.5	
Moderate-income	213,950	115,889	18.9	54.2	79,572	37.2	18,489	8.6	
Middle-income	373,436	259,328	42.3	69.4	89,888	24.1	24,220	6.5	
Upper-income	264,316	213,596	34.9	80.8	37,856	14.3	12,864	4.9	
Unknown-income	63	0	0.0	0.0	4	6.3	59	93.7	
Total Assessment Area	917,830	612,480	100.0	66.7	240,111	26.2	65,239	7.1	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million				Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#	%
Low-income	6,240	5.5	5,096	5.0	1,109	10.0	35	4.5	
Moderate-income	24,331	21.5	21,026	20.8	3,150	28.4	155	20.0	
Middle-income	39,861	35.2	36,568	36.1	3,065	27.6	228	29.4	
Upper-income	42,194	37.3	38,228	37.8	3,611	32.5	355	45.7	
Unknown-income	485	0.4	316	0.3	166	1.5	3	0.4	
Total Assessment Area	113,111	100.0	101,234	100.0	11,101	100.0	776	100.0	
	Percentage of Total Businesses:			89.5		9.8		0.7	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million				Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#	%
Low-income	6	0.9	6	1.0	0	0.0	0	0.0	
Moderate-income	80	12.3	78	12.4	2	11.1	0	0.0	
Middle-income	343	52.9	336	53.3	7	38.9	0	0.0	
Upper-income	219	33.8	210	33.3	9	50.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
Total Assessment Area	648	100.0	630	100.0	18	100.0	0	0.0	
	Percentage of Total Farms:			97.2		2.8		0.0	
2019 FFIEC Census Data & 2019 Dun & Bradstreet information according to 2015 ACS									
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>									

Geographic Distribution of HMDA Reportable Loans							
Assessment Area: 2019 Warren-Troy-Farmington Hills, MI MD 47664							
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units
		2019		2019			
		Count Bank	Agg %	Dollar Bank \$ (000s)	Agg \$ %		
		#	%	\$ (000s)	%	\$ %	% of Units
Home Purchase	Low	13	3.9	998	1.5	1.4	3.9
	Moderate	71	21.3	9,675	14.7	13.5	18.9
	Middle	169	50.8	31,854	48.5	37.7	42.3
	Upper	80	24.0	23,130	35.2	47.5	34.9
	Unknown	0	0.0	0	0.0	0.0	0.0
	Total		333	100.0	65,657	100.0	100.0
Refinance	Low	4	2.2	296	0.9	0.5	3.9
	Moderate	31	17.3	3,409	10.3	8.5	18.9
	Middle	83	46.4	13,150	39.8	35.3	42.3
	Upper	61	34.1	16,184	49.0	55.6	34.9
	Unknown	0	0.0	0	0.0	0.0	0.0
	Total		179	100.0	33,040	100.0	100.0
Home Improvement	Low	0	0.0	0	0.0	1.0	3.9
	Moderate	1	50.0	30	75.0	9.2	18.9
	Middle	1	50.0	10	25.0	36.0	42.3
	Upper	0	0.0	0	0.0	53.7	34.9
	Unknown	0	0.0	0	0.0	0.0	0.0
	Total		2	100.0	40	100.0	100.0
Multi-Family	Low	0	0.0	0	0.0	11.4	Multi-Family 12.6
	Moderate	1	16.7	200	5.2	14.0	32.2
	Middle	4	66.7	2,187	56.8	27.4	39.8
	Upper	1	16.7	1,464	38.0	47.3	15.5
	Unknown	0	0.0	0	0.0	0.0	0.0
	Total		6	100.0	3,851	100.0	100.0
Other Purpose LOC	Low	0	0.0	0	0.0	0.6	3.9
	Moderate	0	0.0	0	0.0	7.7	18.9
	Middle	0	0.0	0	0.0	34.6	42.3
	Upper	0	0.0	0	0.0	57.1	34.9
	Unknown	0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	0	0.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	0	0.0	1.6	3.9
	Moderate	0	0.0	0	0.0	11.1	18.9
	Middle	0	0.0	0	0.0	28.9	42.3
	Upper	0	0.0	0	0.0	58.4	34.9
	Unknown	0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	0	0.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	0	0.0	2.2	3.9
	Moderate	0	0.0	0	0.0	17.2	18.9
	Middle	0	0.0	0	0.0	43.0	42.3
	Upper	0	0.0	0	0.0	37.7	34.9
	Unknown	0	0.0	0	0.0	0.0	0.0
	Total		0	0.0	0	0.0	100.0
HMDA Totals	Low	17	3.3	1,294	1.3	1.5	3.9
	Moderate	104	20.0	13,314	13.0	11.1	18.9
	Middle	257	49.4	47,201	46.0	35.9	42.3
	Upper	142	27.3	40,778	39.7	51.5	34.9
	Unknown	0	0.0	0	0.0	0.0	0.0
	Total		520	100.0	102,587	100.0	100.0

Originations & Purchases
2016 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

Borrower Distribution of HMDA Reportable Loans								
Assessment Area: 2019 Warren-Troy-Farmington Hills, MI MD 47664								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2019			2019			
		Count Bank		Agg %	Dollar Bank		Agg \$ %	
		#	%	%	\$(000s)	\$ %	\$ %	%
Home Purchase	Low	56	16.8	14.4	5,954	9.1	7.6	21.1
	Moderate	86	25.8	24.7	13,424	20.4	18.4	17.2
	Middle	83	24.9	23.2	16,749	25.5	22.4	20.2
	Upper	100	30.0	29.4	27,886	42.5	43.1	41.5
	Unknown	8	2.4	8.4	1,644	2.5	8.6	0.0
	Total		333	100.0	100.0	65,657	100.0	100.0
Refinance	Low	32	17.9	9.3	2,706	8.2	4.7	21.1
	Moderate	36	20.1	18.2	4,943	15.0	12.6	17.2
	Middle	40	22.3	23.5	7,168	21.7	21.0	20.2
	Upper	63	35.2	36.6	17,204	52.1	48.7	41.5
	Unknown	8	4.5	12.4	1,019	3.1	13.0	0.0
	Total		179	100.0	100.0	33,040	100.0	100.0
Home Improvement	Low	0	0.0	9.6	0	0.0	6.3	21.1
	Moderate	0	0.0	18.4	0	0.0	14.5	17.2
	Middle	1	50.0	25.8	30	75.0	22.3	20.2
	Upper	0	0.0	43.8	0	0.0	54.1	41.5
	Unknown	1	50.0	2.5	10	25.0	2.7	0.0
	Total		2	100.0	100.0	40	100.0	100.0
Multi-Family	Low	0	0.0	0.8	0	0.0	0.7	21.1
	Moderate	0	0.0	0.0	0	0.0	0.0	17.2
	Middle	1	16.7	1.6	200	5.2	0.0	20.2
	Upper	0	0.0	0.8	0	0.0	0.0	41.5
	Unknown	5	83.3	96.9	3,651	94.8	99.3	0.0
	Total		6	100.0	100.0	3,851	100.0	100.0
Other Purpose LOC	Low	0	0.0	11.7	0	0.0	7.5	21.1
	Moderate	0	0.0	19.9	0	0.0	14.3	17.2
	Middle	0	0.0	23.7	0	0.0	19.2	20.2
	Upper	0	0.0	43.0	0	0.0	56.9	41.5
	Unknown	0	0.0	1.7	0	0.0	2.1	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Other Purpose Closed/Exempt	Low	0	0.0	13.5	0	0.0	7.3	21.1
	Moderate	0	0.0	21.8	0	0.0	13.8	17.2
	Middle	0	0.0	24.0	0	0.0	17.0	20.2
	Upper	0	0.0	36.4	0	0.0	56.1	41.5
	Unknown	0	0.0	4.3	0	0.0	5.9	0.0
	Total		0	0.0	100.0	0	0.0	100.0
Loan Purpose Not Applicable	Low	0	0.0	0.6	0	0.0	0.3	21.1
	Moderate	0	0.0	0.9	0	0.0	0.6	17.2
	Middle	0	0.0	2.6	0	0.0	3.3	20.2
	Upper	0	0.0	4.6	0	0.0	9.8	41.5
	Unknown	0	0.0	91.3	0	0.0	86.0	0.0
	Total		0	0.0	100.0	0	0.0	100.0
HMDA Totals	Low	88	16.9	11.5	8,660	8.4	5.8	21.1
	Moderate	122	23.5	20.9	18,367	17.9	14.4	17.2
	Middle	125	24.0	23.3	24,147	23.5	20.3	20.2
	Upper	163	31.3	33.8	45,090	44.0	43.7	41.5
	Unknown	22	4.2	10.6	6,323	6.2	15.7	0.0
	Total		520	100.0	100.0	102,587	100.0	100.0

Originations & Purchases
2016 FFIEC Census Data
Note: Percentages may not add to 100.0 percent due to rounding

APPENDIX C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	HMDA-Reportable Loans: January 1, 2019 – December 31, 2020 Small Business: January 1, 2021 – December 31, 2021 Community Development: January 23, 2019 – March 14, 2022		
FINANCIAL INSTITUTION First State Bank			PRODUCTS REVIEWED HMDA-Reportable Small Business
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
N/A	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Warren-Troy-Farmington Hills, MI MD #47664	Full scope review	N/A	N/A

APPENDIX D – Glossary

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

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is in an MSA, or for the metropolitan division, if a person or geography is in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an uninsured state branch (other than a limited branch) of a foreign bank described in section

¹ Source: FFIEC press release dated October 19, 2011.

228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide nonmetropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: 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 of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th

percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

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

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Income Level: Income level means:

- 1) Low-income – an 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 census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;
- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median

income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment, and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan production office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

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 MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (**MSA**) or a metropolitan division (**MD**) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or

more bordering states is called a multistate metropolitan statistical area.

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

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

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: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: This term refers to a loan that is included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand 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.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).