

# **PUBLIC DISCLOSURE**

July 18, 2016

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Lapeer County Bank & Trust Company  
RSSD# 184142

83 West Nepessing Street  
Lapeer, Michigan 48446

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, IL 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.

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## BANK'S CRA RATING

Lapeer County Bank & Trust Company is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

Lapeer County Bank & Trust Company is satisfactorily meeting the needs of its community based on an analysis of lending and community development activities. A majority of the bank's loans are originated within the bank's assessment area. Geographic distribution of loans reflects excellent dispersion throughout the assessment area, and lending reflects reasonable penetration among borrowers of different incomes and businesses of different revenue sizes. However, the bank's loan-to-deposit ratio is less than reasonable considering the characteristics of the bank, its local competitors, and the credit needs of the assessment area. Neither Lapeer County Bank & Trust Company nor this Reserve Bank has received any Community Reinvestment Act (CRA)-related complaints since the previous CRA evaluation.

Lapeer County Bank & Trust Company's community development performance demonstrates adequate responsiveness to the needs of its assessment area through community development loans, qualified investments, and community development services. This performance is appropriate, considering the bank's capacity, and the need and availability of such opportunities for community development in the bank's assessment area.

## SCOPE OF EXAMINATION

Lapeer County Bank & Trust Company's CRA performance was evaluated using the Federal Financial Institutions Examinations Council's (FFIEC's) Intermediate – Small Bank Examination Procedures. Information about the institution and the assessment area, such as the bank's financial condition, asset size, economic and demographic characteristics, and competition were used to evaluate the bank's performance.

Performance in the assessment area was evaluated using the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 16-quarter average loan-to-deposit ratio was calculated for the bank and compared to its national peer group and a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's Home Mortgage Disclosure Act (HMDA)-reportable loans from January 1, 2013 through December 31, 2014 and small business loans originated from July 1, 2015 through December 31, 2015 were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** - The bank's HMDA-reportable loans originated within the assessment area from January 1, 2013 through

December 31, 2014 and small business loans originated within the assessment area from July 1, 2015 through December 31, 2015, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as moderate-income.

- *Lending to Borrowers of Different Income and to Businesses of Different Sizes* - The bank's HMDA-reportable loans originated within the assessment area from January 1, 2013 through December 31, 2014 and small business loans originated within the assessment area from July 1, 2015 through December 31, 2015, 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* – Neither Lapeer County Bank & Trust Company nor this Reserve Bank received any CRA-related complaints since the prior evaluation.
- *Community Development Activities* – The bank's responsiveness to community development needs through community development loans, qualified investments, and community development services, from May 21, 2012 through July 18, 2016 were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

## DESCRIPTION OF INSTITUTION

Lapeer County Bank & Trust Company, with total assets of \$331 million as of March 31, 2016, is a subsidiary of County Bank Corporation, a one-bank holding company, headquartered in Lapeer, Michigan. The bank operates a main office and six branches in Lapeer County, which include branch locations in Lapeer (main office), Elba, Southgate, Attica, Fostoria, Imlay City, and Metamora. No branches or ATMs have been opened, closed, or acquired since the previous performance evaluation.

All branches accept applications for all of the products which are offered by the bank; deposit and loan products and services are traditional. Lapeer County Bank & Trust Company continues to be primarily focused on commercial and 1-4 family residential real estate lending.

As of March 31, 2016, the two aforementioned portfolios represented 65.9 percent and 31.2 percent of the loan portfolio, respectively. The composition of the total loan portfolio has remained relatively stable. Furthermore, the bank's funding structure, which primarily consists of stable, core deposits from within its assessment area, has not changed.

Composition of Loan Portfolio (000s)				
Portfolio	\$ as of 3/31/2016	% of Total Loans	\$ as of 3/31/2015	% of Total Loans
<b>Real Estate Secured</b>				
1-4 Family Res Construction Loans	0	0.0	668	0.4
Other Construction Loans & Land Dev & Other	2,726	1.6	3,348	1.9
1-4 Family-Revolving	10,242	6.1	11,380	6.5
1-4 Family Res Secured by First Liens	40,540	24.0	38,841	22.2
1-4 Family Res Secured by Junior Liens	1,826	1.1	2,108	1.2
<b>Total 1-4 Family Residential Real Estate (Less 1-4 Family Residential Construction)</b>	<b>52,608</b>	<b>31.2</b>	<b>52,329</b>	<b>29.9</b>
Multifamily	2,820	1.7	10,242	5.8
<b>Total Real Estate Loans</b>	<b>143,422</b>	<b>85.0</b>	<b>149,840</b>	<b>85.5</b>
Agricultural	60	0.0	121	0.1
Farm Land	359	0.2	411	0.2
<b>Total Agricultural</b>	<b>419</b>	<b>0.2</b>	<b>532</b>	<b>0.3</b>
Commercial & Industrial	19,813	11.7	19,391	11.1
Loans Secured Owner Occupied Non-Farm Non-Residential	42,587	25.3	44,797	25.6
Loans Secured by Other Non-Farm Non-Residential	42,322	25.1	38,045	21.7
<b>Total Commercial (Includes 1-4 Family Residential Construction)</b>	<b>110,268</b>	<b>65.4</b>	<b>116,491</b>	<b>66.5</b>
<b>Total Loans &amp; Leases</b>	<b>168,634</b>	<b>100.0</b>	<b>175,213</b>	<b>100.0</b>
<i>Note: Percentages may not total to 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 Community Reinvestment Act at its previous evaluation conducted on May 21, 2012.

#### DESCRIPTION OF ASSESSMENT AREA

Lapeer County Bank & Trust Company's assessment area consists of the 24 contiguous census tracts which make up Lapeer County, Michigan, in its entirety, within the Warren-Troy-Farmington Hills, MI 47664 Metropolitan Division (MD), and remains unchanged since the previous evaluation. There are nine moderate-income tracts, fourteen middle-income tracts, and one unknown-income census tract in Lapeer County. During the previous evaluation, Lapeer County contained 25 census tracts; however, middle-income census tracts 3350 and 3355 were

combined to form what is now census tract 3321, a middle-income census tract. The bank has seven physical locations, all within Lapeer County.

The main office plus drive-up facility and three branches (Deerfield, Imlay City, and South Main) are located within moderate-income census tracts; all other branches (Attica, Elba, and Metamora) are located in middle-income census tracts. Bank management states its primary market area is Lapeer County, Michigan. The bank has neither opened nor closed any ATM or branches since the previous evaluation.

**Assessment Area: 2015 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	0	0.0	0	0.0	0	0.0	5,909	23.6
Moderate-income	9	37.5	8,512	34.0	1,001	11.8	5,966	23.8
Middle-income	14	58.3	16,533	66.0	1,019	6.2	5,768	23.0
Upper-income	0	0.0	0	0.0	0	0.0	7,402	29.6
Unknown-income	1	4.2	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>24</b>	<b>100.0</b>	<b>25,045</b>	<b>100.0</b>	<b>2,020</b>	<b>8.1</b>	<b>25,045</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	13,701	8,680	31.2	63.4	3,412	24.9	1,609	11.7
Middle-income	22,553	19,108	68.8	84.7	1,737	7.7	1,708	7.6
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>36,254</b>	<b>27,788</b>	<b>100.0</b>	<b>76.6</b>	<b>5,149</b>	<b>14.2</b>	<b>3,317</b>	<b>9.1</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	1,522	38.8	1,393	37.7	116	60.7	13	35.1
Middle-income	2,395	61.1	2,296	62.2	75	39.3	24	64.9
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	2	0.1	2	0.1	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>3,919</b>	<b>100.0</b>	<b>3,691</b>	<b>100.0</b>	<b>191</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>94.2</b>		<b>4.9</b>		<b>0.9</b>

2015 FFIEC Census Data and 2015 D&B Information

Note: Percentages may not total to 100.0 percent due to rounding.

### Population Characteristics

Population of the assessment area is 88,319 according to 2010 Census data. Lapeer County’s population increased by 0.5 percent between the 2000 Census and the 2010 Census. During that same time period, the Warren-Troy-Farmington Hills MD experienced larger growth, of 3.5 percent. Both geographies had growth rates greater than the state of Michigan, which saw its population decline by 0.6 percent between the 2000 Census and the 2010 Census.

Population Change			
Area	2000 Population	2010 Population	Percentage Change
Lapeer County, MI	87,904	88,319	0.5
Warren-Troy-Farmington Hills, MI MD	2,391,395	2,475,666	3.5
State of Michigan	9,938,444	9,883,640	-0.6

Source: 2000—U.S. Census Bureau: Decennial Census  
2010—U.S. Census Bureau: Decennial Census

### Income Characteristics

The income in Lapeer County increased by 9.1 percent between the 2000 Census and the 2006 – 2010 American Community Survey. Over the same period, the state of Michigan observed a 12.9 percent increase in its median family income. The Warren-Troy-Farmington Hills, MI MD median family income growth rate was between both the county and the state rates, at 10.9 percent. Despite its growth rate being between that of the county and state, the Warren-Troy-Farmington Hills, MI MD had the highest overall median family income during both the 2000 Census and the 2006 – 2010 American Community Survey.

Median Family Income Change			
Area	2000 Median Family Income (In 1999 Dollars)	2006-2010 Median Family Income (In 2010 Dollars)	Percentage Change
Lapeer County, MI	57,817	63,061	9.1
Warren-Troy-Farmington Hills, MI MD	67,923	75,314	10.9
State of Michigan	53,457	60,341	12.9

Source: 2000—U.S. Census Bureau: Decennial Census  
2006-2010—U.S. Census Bureau: American Community Survey

## Housing Characteristics

From the time of the 2000 Census to the 2006 -2010 American Community Survey, the median housing value in Lapeer County increased from by 19.0 percent, while rents increased by 26.0 percent over the same period. Housing costs in the Warren-Troy-Farmington Hills, MI MD increased by 16.0 percent, while rents increased by 24.0 percent. Statewide, both housing costs and rents increased by a significant amount more than the other two geographies, increasing by 31.0 percent and 32.0 percent respectively. Despite having the lowest growth rates with respect to housing costs and median gross rents, the Warren-Troy-Farmington Hills, MI MD had the highest housing costs and median gross rents during both the 2000 Census and the 2000 – 2006 American Community Survey. According to one community contact, housing credit is a need within Lapeer County. The table below provides addition information pertinent to housing costs.

Housing Costs Change						
Area	2000 Median Housing Value	Percent Change	2006-2010 Median Housing Value	2000 Median Gross Rent	Percent Change	2006-2010 Median Gross Rent
Lapeer County, MI	139,400	19	165,200	541	26	680
Warren-Troy-Farmington Hills, MI MD	153,130	16	177,745	655	24	812
State of Michigan	110,300	31	144,200	546	32	723

Source: 2000—U.S. Census Bureau: Decennial Census  
2006-2010—U.S. Census Bureau: American Community Survey

The proportion of owner occupied housing within Lapeer County, the Warren-Troy-Farmington Hills, MI MD, and the State of Michigan remained relatively static during the time between the 2000 Census and the 2006 – 2010 American Community Survey. Over this period, the proportion of owner-occupied housing in Lapeer County decreased from 84.9 percent to 84.4 percent. Over the same period the proportion of owner-occupied housing remained unchanged at 77.6 percent in the MD, and decreased slightly from 73.8 to 73.7 percent in the State of Michigan.

The affordability ratios of the Lapeer County, the Warren-Troy-Farmington Hills, MI MD and the State of Michigan are all relatively similar. The affordability ratios of the respective geographies are .33, .34, and .34. This proximity means homes in each of these geographies are relatively equally affordable. For a full definition of the affordability ratio, refer to Appendix C.

## Employment Conditions

The following table presents some of the largest employers in Lapeer County. The three top employers in Lapeer County, according to Info USA, are a hospital, a department store, and the state-run correctional facility. Despite that fact, the sectors with the largest location quotients in



Lapeer County are Manufacturing (2.64) and Goods-producing (1.97). Location quotients represent the concentration of a particular sector within a geography using that same sector's concentration nationally as a baseline. Therefore, given the rate at which manufacturing firms occur throughout the country, their rate of occurrence in Lapeer County is 2.6 times greater than the concentration nationwide; similarly, goods-producing firms occur in concentrations nearly twice the rate observed throughout the nation. Bank management not only agreed with the relatively high concentration of manufacturing and goods-producing firms, but also stated that it did not anticipate those concentrations changing in the near future. This is because so many of the manufacturing and goods-producers have significant ties to the automotive industry. Even though the automotive manufacturers have shifted operations out of southeast Michigan, many of the remaining entities are still linked to the automotive industry.

Largest Employers in the Assessment Area		
Company Name	Employee Size Actual	Industry
McLaren Lapeer Region	750	Hospitals
Walmart Supercenter	450	Department Stores
Thumb Correctional Facility	311	State Government-Correctional Institutions
Lapeer County Medical Care	230	Clinics
ZF Chassis Components LLC	200	Engineers-Automotive
Rubber Enterprises	182	Rubber Products-Manufacturers
Toyo Seat USA	180	Automobile Parts & Supplies- Manufacturers
Lapeer Environmental Health	150	Government Offices-County
Home Depot	150	Home Centers
Kamax LP	140	Fasteners-Industrial-Painting (Manufacturers)
Metamora Products Corp	130	Plastics-Mold-Manufacturers
Lapeer West Senior High School	120	Schools
Lapeer East Senior High School	120	Schools
Kohl's	110	Department Stores
H & H Tool	110	Tools-Manufacturers
Kroger	105	Grocers-Retail
Mold Masters Co	100	Plastics-Mold-Manufacturers
Lapeer County Vocational Tech	100	Schools
Kroger	100	Grocers-Retail
Hometown Home Health & Hospice	100	Home Health Service

Source: Info USA

### Unemployment Conditions

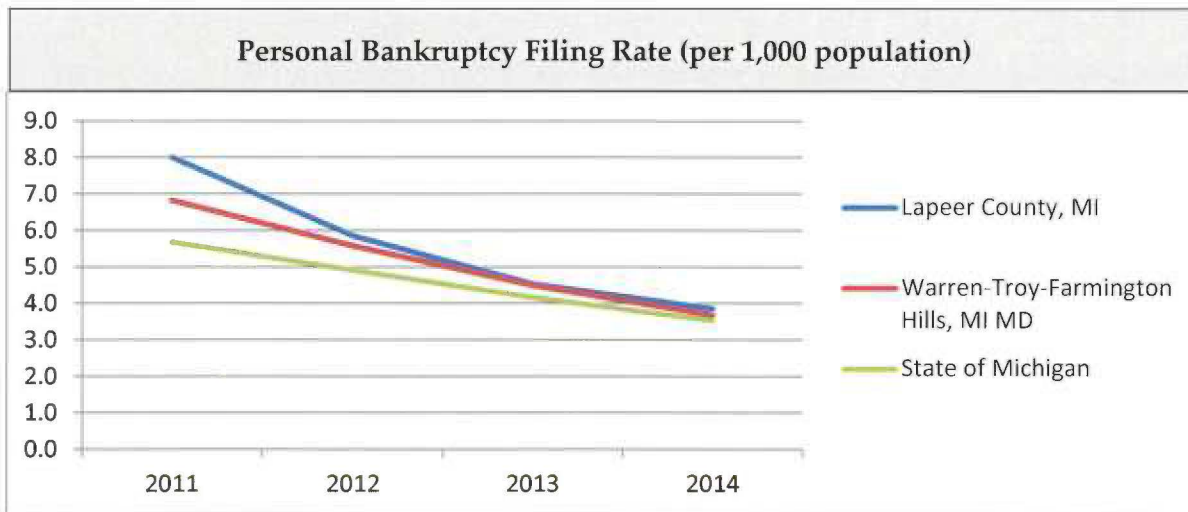
According to the Bureau of Labor Statistics, the overall unemployment rate in Lapeer County has been decreasing from 2011 through 2014, the most recent year for which unemployment data is available. Over that span, unemployment in Lapeer County dropped from 13.1 percent to 9.9

percent. Bank management estimates that unemployment in Lapeer County currently sits closer to 5.5 percent. When comparing the downward trend in unemployment in Lapeer County to that observed in the State of Michigan, and the Warren-Troy-Farmington Hills, MI MD, it is quite clear that the MD and the State are much more similar to one another than either is to Lapeer County. The unemployment rate in the Warren-Troy-Farmington Hills, MI MD fell from 10.8 percent to 7.5 percent from 2011 through 2014 while the statewide rate fell from 10.3 percent to 7.3 percent over the same period. The following table provides additional statistics on recent unemployment rates observed within the relevant geographies.

Recent Unemployment Rates (percent)				
Area	2011	2012	2013	2014
Lapeer County, MI	13.1	11.8	10.8	9.9
Warren-Troy-Farmington Hills, MI MD	10.8	9.8	8.7	7.5
State of Michigan	10.3	9.1	8.8	7.3

Source: Bureau of Labor Statistics: Local Area Unemployment Statistics

In 2011, the personal bankruptcy filing rate in Lapeer County was 8.0 per thousand individuals, and by 2014, it had decreased to 3.9 per thousand individuals. The following line chart shows how personal bankruptcy filing rates decreased at an increasing rate and moved much closer to the Warren-Troy-Farmington Hills, MI MD and State of Michigan rates from 2011 through 2014.



Source: Administrative Office of the U.S. Courts

Two community representatives were contacted in connection with this evaluation, one focused in economic development and the other focused in affordable housing. Contacts indicated that local financial institutions are actively involved in the community and helping to meet the credit needs of the area. Businesses have increased hiring rates significantly, which explains the fact that

unemployment has been decreasing at an increasing rate. Housing credit was a significant need in Lapeer County since so many require access to affordable housing. Affordable housing is needed not just in and around the City of Lapeer (the county's most dense population center), but also in the smaller communities throughout the county.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

Lapeer County Bank & Trust Company's performance relative to the lending test is Satisfactory based on a majority of loans and lending-related activities being originated and taking place within the assessment area; reasonable penetration of loans among individuals of different income levels and businesses of different sizes; a reasonable dispersion of loans among geographies of different income levels; and no CRA-related complaints. The bank's loan-to-deposit (LTD) ratio was less than reasonable.

### Loan-to-Deposit Ratio

Given the bank's size, financial condition, and assessment area credit needs, the LTD ratio is less than reasonable. The sixteen quarter average, from March 31, 2012 through December 31, 2015 equaled 58.8 percent. This ratio is lower than the average LTD ratio of the national peer group (75.9 percent), which includes the other institutions within the bank's assessment area, over the same period. Discussions with management revealed increased competition has led to a challenging lending environment. The following table presents the average loan-to-deposit-ratio for the bank in comparison to its national peer group and a sample of local competitors with similar size and complexity.

Comparative Loan-to-Deposit Ratios As of December 31, 2015	
Institution	Loan-to-Deposit Ratio (%)
	16 - Quarter Average
Lapeer County Bank & Trust Company	58.8
National Peer Group	75.9
<b>Competitors</b>	
Huntington National Bank	88.5
PNC Bank NA	85.3
Talmer Bank & Trust Company	81.8
Oxford Bank	72.9
Independent Bank	71.9
Tri-County Bank	64.8
CSB Bank	55.9
JP Morgan Chase Bank NA	48.5

### Assessment Area Concentration

A majority of Lapeer County Bank & Trust Company's loans were originated within the bank's delineated assessment area. During the sample periods previously discussed, the bank originated 285 residential mortgage and small business loans, of which 211 were originated within the assessment area, representing 74.0 percent. Loan originations within the assessment area totaled \$25.7 million or 60.6 percent of the dollar volume of all residential mortgage and small business loan originations.

Lending Inside and Outside of the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Improvement	11	78.6	\$950	71.6	3	21.4	\$376	28.4
Home Purchase - Conventional	54	67.5	\$5,210	68.3	26	32.5	\$2,423	31.7
Multi-Family Housing	2	50.0	\$2,791	33.4	2	50.0	\$5,560	66.6
Refinancing	112	80.6	\$13,075	79.5	27	19.4	\$3,379	20.5
<b>Total HMDA related</b>	<b>179</b>	<b>75.5</b>	<b>\$22,026</b>	<b>65.2</b>	<b>58</b>	<b>24.5</b>	<b>\$11,738</b>	<b>34.8</b>
Small Business	32	66.7	\$3,717	42.5	16	33.3	\$5,024	57.5
<b>Total Small Business related</b>	<b>32</b>	<b>66.7</b>	<b>\$3,717</b>	<b>42.5</b>	<b>16</b>	<b>33.3</b>	<b>\$5,024</b>	<b>57.5</b>
<b>TOTAL LOANS</b>	<b>211</b>	<b>74.0</b>	<b>\$25,743</b>	<b>60.6</b>	<b>74</b>	<b>26.0</b>	<b>\$16,762</b>	<b>39.4</b>

Note: Affiliate loans not included

### Geographic Distribution of Loans

The bank's geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank's delineated assessment area did not contain any low-income tracts; therefore, the following analysis will only discuss dispersion throughout moderate-income tracts.

#### *HMDA-Reportable Lending*

Refinances and home purchases made up the overwhelming majority of Lapeer County Bank & Trust Company's HMDA-reportable loan originations in 2014 (58 of 64 originations). Home improvement and multi-family loans were not considered due to their limited origination volume. In 2014, the bank originated 50.0 percent of its refinances within moderate-income tracts. This rate of dispersion was greater than the rate observed of aggregate lenders who originated 29.2 percent of their refinances within the moderate-income tracts. For additional comparison, 31.2 percent of owner-occupied units are located within the moderate-income tracts of the bank's delineated assessment area. The bank also outperformed aggregate lenders within the home purchase portfolio. The bank originated 38.5 percent of its home purchases within the assessment area's moderate-income tracts, while aggregate lenders originated 32.8 percent of such loans within the assessment area's moderate-income tracts.

Although Lapeer County Bank & Trust Company originated more HMDA-reportable loans in 2013, the overwhelming majority were refinances and home purchases (108 of 115 originations). The gap between the bank's overall performance and that of aggregate lenders was slightly wider. The bank originated 43.8 percent of its refinances within the moderate-income tracts, which compared favorably with aggregate lenders who originated 28.0 percent of refinances within the moderate-income census tracts. A review of the home purchase portfolio revealed similar results; the bank originated 53.6 of its home purchases within the moderate-income tracts, whereas aggregate lenders originated 29.2 percent of home purchases within the moderate-income tracts of the bank's delineated assessment area. In 2013, 31.2 percent of owner-occupied units were located within the moderate-income tracts of the delineated assessment area. The following table provides more in-depth statistics of the geographic distribution of the bank's residential mortgage lending in 2014, a table providing the same information for 2013 can be found within the appendices.

<b>Geographic Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2014 Warren-Troy-Farmington Hills, MI MD 47664</b>								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison					Owner Occupied % of Units	
		2014			Dollar			
		Count		Agg	Bank			Agg
		#	%	%	\$ (000s)	\$ %	\$ %	
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	10	38.5	32.8	721	28.3	25.5	31.2
	Middle	16	61.5	67.2	1,823	71.7	74.5	68.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>26</b>	<b>100.0</b>	<b>100.0</b>	<b>2,544</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	16	50.0	29.2	1,837	46.1	24.2	31.2
	Middle	16	50.0	70.8	2,147	53.9	75.8	68.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>32</b>	<b>100.0</b>	<b>100.0</b>	<b>3,984</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	30.9	0	0.0	21.7	31.2
	Middle	6	100.0	69.1	467	100.0	78.3	68.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>6</b>	<b>100.0</b>	<b>100.0</b>	<b>467</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	0	0.0	50.0	0	0.0	9.4	92.3
	Middle	0	0.0	50.0	0	0.0	90.6	7.7
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	26	40.6	31.3	2,558	36.6	24.4	31.2
	Middle	38	59.4	68.7	4,437	63.4	75.6	68.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>64</b>	<b>100.0</b>	<b>100.0</b>	<b>6,995</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases								
2014 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

*Small Business Lending*

Lapeer County Bank & Trust Company’s lending to small businesses, defined as businesses with gross annual revenues equal to \$1 million or less, reflects excellent penetration throughout the assessment area. Small business loan originations in the moderate-income census tracts comprised 50.0 percent of the loans by number, and 41.0 percent by dollar volume. In comparison, 38.8 percent of small businesses located within the assessment area are located within the assessment area’s moderate-income tracts. This is indicative of the bank’s small business lending meeting the community’s demand. The following table shows additional information about geographic distribution of small business loans within the assessment area.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2015 Warren-Troy-Farmington Hills, MI MD 47664</b>						
	Tract Income Levels	<b>Bank &amp; Demographic Comparison</b>				
		Count Bank		2015 Dollar Bank		Total Businesses
		#	%	\$ 000s	\$ %	%
Small Business	Low	0	0.0	0	0.0	0.0
	Moderate	16	50.0	1,523	41.0	38.8
	Middle	16	50.0	2,194	59.0	61.1
	Upper	0	0.0	0	0.0	0.0
	Unknown	0	0.0	0	0.0	0.1
	<b>Total</b>	<b>32</b>	<b>100.0</b>	<b>3,717</b>	<b>100.0</b>	<b>100.0</b>
2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 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 HMDA-reportable and small business loans exhibit a reasonable penetration of lending among individuals of different income levels and business of different sizes.

*HMDA-Reportable Lending*

As previously stated, in 2014, Lapeer County Bank & Trust Company’s refinance and home purchase loans represented the majority of the HMDA-reportable lending. Home improvement and multi-family loans were not considered given their limited origination volume. The bank originated 15.6 percent by number, and 9.1 percent by dollar volume, of refinances to low-income individuals. While these percentages are below assessment area demographic concentrations (23.6 percent of families within the assessment are categorized as low-income by family income), they are on par with the aggregate lenders. The aggregate lenders originated 14.0 percent of refinances by number and 9.3 percent by dollar volume to low-income borrowers. The bank’s performance among moderate-income borrowers was more consistent with assessment area demographic

concentrations as the bank originated 25.0 percent by number and 21.2 percent by dollar volume of its refinances to moderate-income borrowers. Moderate-income borrowers represent 23.8 percent of the assessment area population. Aggregate lenders originated 22.8 percent by number and 18.2 percent by dollar volume of refinances to moderate-income borrowers.

However, the bank's lending performance was lower than both aggregate lenders and assessment area demographic concentrations for home purchases. The bank originated 11.5 percent of its purchases by number, and 11.9 percent by dollar volume to low-income borrowers. The aggregate lenders originated 13.6 percent by number and 8.0 percent by dollar volume of residential purchase loans to low-income borrowers. The disparity was greater amongst moderate-income borrowers. The bank originated 15.4 percent by number and 9.4 percent by dollar volume to moderate-income borrowers within the assessment area. By comparison, the aggregate lenders statistics revealed that 24.1 percent by number and 21.6 percent by dollar volume of the home purchase originations were going to moderate-income borrowers.

In 2013, Lapeer County Bank & Trust Company's lending performance was below both aggregate lenders and assessment area demographic concentrations in both the refinance and home purchase portfolio. The bank originated 10.0 percent by number, and 4.7 percent by dollar volume, of refinances to low-income individuals. Assessment area demographic concentrations show that 23.6 percent of families within the assessment were categorized as low-income by family income in 2013. The aggregate lenders originated 13.5 percent of refinances by number and 7.2 percent by dollar volume to low-income borrowers. The bank's relative performance among moderate-income borrowers was similar to its performance with respect to low-income borrowers. The bank originated 15.0 percent by number and 12.7 percent by dollar volume of its residential refinances to moderate-income borrowers, who represent 23.8 percent of the assessment area population. Aggregate lenders originated 21.3 percent by number and 13.2 percent by dollar volume of refinances to moderate-income borrowers.

The bank originated 14.3 percent of its home purchase loans by number, and 8.2 percent by dollar volume to low-income borrowers. The aggregate lenders originated 21.3 percent by number and 13.9 percent by dollar volume of home purchase loans to low-income borrowers. Amongst moderate-income borrowers, however, both the bank and aggregate lenders performed better than assessment area demographic concentration. The bank originated 28.6 percent by number and 24.8 percent by dollar volume of its home purchases to moderate-income borrowers within the assessment area. By comparison, the aggregate lenders statistics revealed that 27.4 percent by number and 24.1 percent by dollar volume of the home purchase originations were going to moderate-income borrowers. The table on the following page provides more in-depth statistics of the penetration of the bank's residential mortgage lending to borrowers of different income designations in 2014; a table providing the same information for 2013 can be found within the appendices.



<b>Borrower Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2014 Warren-Troy-Farmington Hills, MI MD 47664</b>								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison						Families by Family Income %
		2014			Dollar			
		Count		Agg	Bank		Agg	
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	3	11.5	13.6	303	11.9	8.0	23.6
	Moderate	4	15.4	24.1	240	9.4	21.6	23.8
	Middle	10	38.5	21.8	867	34.1	23.7	23.0
	Upper	8	30.8	16.4	1,093	43.0	25.8	29.6
	Unknown	1	3.8	24.1	41	1.6	20.9	0.0
	<b>Total</b>		<b>26</b>	<b>100.0</b>	<b>100.0</b>	<b>2,544</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	5	15.6	14.0	362	9.1	9.3	23.6
	Moderate	8	25.0	22.8	843	21.2	18.2	23.8
	Middle	2	6.3	24.7	207	5.2	24.1	23.0
	Upper	10	31.3	24.6	1,430	35.9	32.2	29.6
	Unknown	7	21.9	14.0	1,142	28.7	16.2	0.0
	<b>Total</b>		<b>32</b>	<b>100.0</b>	<b>100.0</b>	<b>3,984</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	2	33.3	15.4	143	30.6	8.3	23.6
	Moderate	2	33.3	30.9	124	26.6	25.1	23.8
	Middle	2	33.3	20.6	200	42.8	23.4	23.0
	Upper	0	0.0	25.0	0	0.0	38.8	29.6
	Unknown	0	0.0	8.1	0	0.0	4.4	0.0
	<b>Total</b>		<b>6</b>	<b>100.0</b>	<b>100.0</b>	<b>467</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	23.6
	Moderate	0	0.0	0.0	0	0.0	0.0	23.8
	Middle	0	0.0	0.0	0	0.0	0.0	23.0
	Upper	0	0.0	0.0	0	0.0	0.0	29.6
	Unknown	0	0.0	100.0	0	0.0	100.0	0.0
	<b>Total</b>		<b>0</b>	<b>0.0</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>100.0</b>
HMDA Totals	Low	10	15.6	13.8	808	11.6	8.2	23.6
	Moderate	14	21.9	23.9	1,207	17.3	19.6	23.8
	Middle	14	21.9	22.9	1,274	18.2	23.0	23.0
	Upper	18	28.1	20.1	2,523	36.1	27.5	29.6
	Unknown	8	12.5	19.3	1,183	16.9	21.7	0.0
	<b>Total</b>		<b>64</b>	<b>100.0</b>	<b>100.0</b>	<b>6,995</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases 2014 FFIEC Census Data <i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

### Small Business Lending

Lapeer County Bank & Trust Company’s small business loans to businesses with revenues of \$1 million or less is reasonable. The demographic data indicates 94.2 percent of businesses operating within the bank’s delineated assessment area are small businesses. The bank originated 78.1 percent of its business loans to such businesses. Although, this level is somewhat lower than the demographic data, it is still indicative of the fact that the bank is adequately meeting the credit needs of small businesses within its assessment area.

Of the small business loans originated over the latter six months of 2015, 62.5 percent were made in amounts equal to or less than \$100,000. Typically, these loans are viewed as being most beneficial to small businesses. Of the bank’s loans to small businesses, 60.0 percent were in amounts equal to or less than \$100,000. The bank’s performance is consistent with its primary lending focus and is reasonable.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2015 Warren-Troy-Farmington Hills, MI MD 47664							
Product Type		Bank & Demographic Comparison					
		2015		2015		Total Businesses %	
		Count Bank		Dollar Bank			
		#	%	\$ 000s	\$ %	%	
Small Business	Revenue	\$1 Million or Less	25	78.1	3,169	85.3	94.2
		Over \$1 Million or Unknown	7	21.9	548	14.7	5.8
		Total	32	100.0	3,717	100.0	100.0
	Loan Size	\$100,000 or Less	20	62.5	835	22.5	
		\$100,001 - \$250,000	9	28.1	1,341	36.1	
		\$250,001 - \$1 Million	3	9.4	1,542	41.5	
		Total	32	100.0	3,718	100.0	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	15	60.0	604	19.1	
		\$100,001 - \$250,000	7	28.0	1,023	32.3	
		\$250,001 - \$1 Million	3	12.0	1,542	48.7	
		Total	25	100.0	3,169	100.0	
	Originations & Purchases						
2015 FFIEC Census Data & 2015 Dun & Bradstreet information according to 2010 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

Lapeer County Bank & Trust Company's performance relative to the community development test is Satisfactory.

Considering the bank's capacity, as well as the need and availability of opportunities for community development within the bank's assessment area, the bank's performance demonstrates adequate responsiveness to community development needs through community development loans, qualified investments, and community development services.

### Community Development Lending

Lapeer County Bank & Trust Company makes an adequate level of community development loans in the assessment area. The number and dollar amount of the bank's community development loans are evaluated giving consideration to performance context information, especially with regard to community credit needs and the bank's capacity to respond to those needs.

During the review period, Lapeer County Bank & Trust Company originated a total of seven community development loans totaling \$1,056,756 within the assessment area. The two types of qualifying community development loans were affordable housing, which accounted for three of the community development loans, and totaled \$457,589, and community service loans, which accounted for four of the community development loans and totaled \$581,167.

In addition to the community development loans, Lapeer County Bank & Trust Company identified other ways to meet the credit needs of its community. The bank introduced a new small business loan product with expedited underwriting for loan amounts under \$75,000. For entities that have a credit score of 680 or above, and have been in business for 5 years or more, the request is automatically approved. If a business has not yet hit the five year mark, but satisfies the other two requirements, they will need to submit tax returns for review. The purpose of this streamlined process is to lower the barrier to small dollar loans for small businesses, which as previously stated, are the most beneficial types of loans.

### Community Development Investments

Lapeer County Bank & Trust Company made three qualified investments totaling \$1,125,128. Two of the bank's qualified investments were directed toward affordable housing in the way of Government National Mortgage Association (GNMA or Ginnie Mae) bonds. The bank only received credit for the portions of the GNMA bonds which were benefitting Lapeer County; the qualifying portions of these two bonds totaled \$875,128. The third investment was a \$250,000 certificate of deposit with a minority-owned Community Development Financial Institutions Fund (CDFI: First Independence Bank – Detroit, MI). Although the CDFI was not located within Lapeer County, it does benefit a broader region which includes Lapeer County.

In addition to the qualified community development investments made for this evaluation, Lapeer County Bank & Trust Company made ten qualified donations and grants totaling \$11,350 for education grants for low- and moderate-income individuals and affordable housing.

### **Community Development Services**

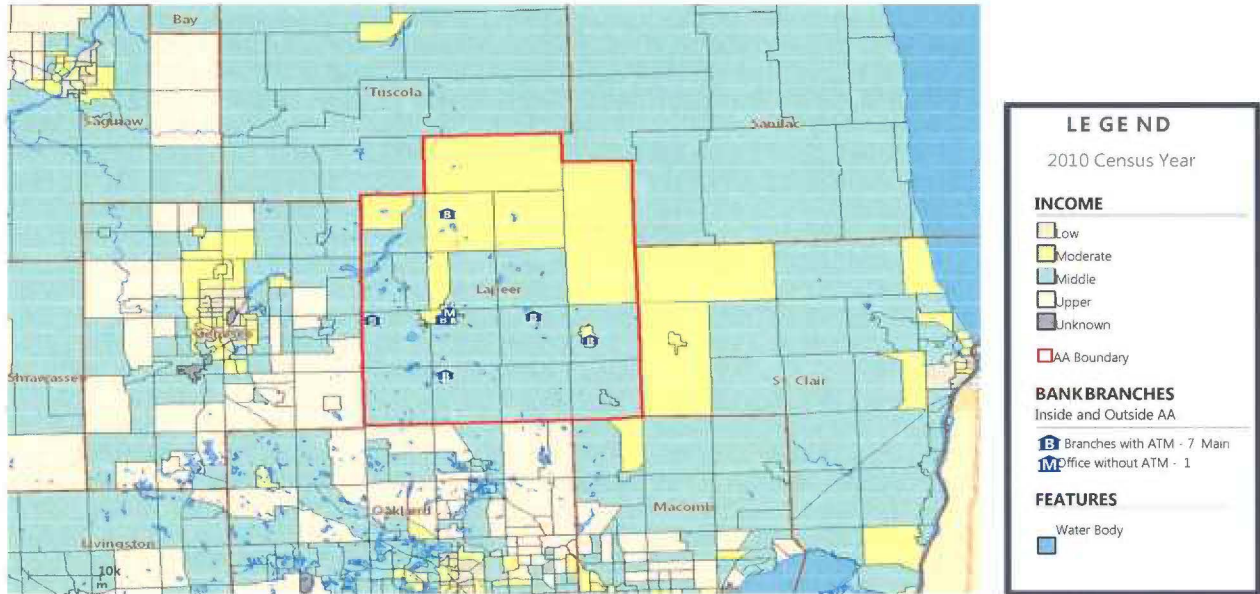
Lapeer County Bank & Trust Company personnel provided 208 hours of expertise while serving as board or committee members for 16 non-profit organizations. The benefiting organizations were primarily organizations that met the community service definition under community development.

### **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 – Assessment Area Map

#### Lapeer County Bank & Trust Co. 184142 Assessment Area Map



**APPENDIX B – 2013 Lending Tables**

<b>Geographic Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2013 Warren-Troy-Farmington Hills, MI MD 47664</b>								
Product Type	Tract Income Levels	Bank & Aggregate Lending Comparison						Owner Occupied % of Units
		2013						
		Count		Agg %	Dollar		Agg \$ %	
Bank #	%	Bank \$ (000s)	\$ %					
Home Purchase	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	15	53.6	29.2	1,191	44.7	23.5	31.2
	Middle	13	46.4	70.8	1,475	55.3	76.5	68.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>28</b>	<b>100.0</b>	<b>100.0</b>	<b>2,666</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	35	43.8	28.0	3,667	40.3	27.7	31.2
	Middle	45	56.3	72.0	5,424	59.7	72.3	68.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>80</b>	<b>100.0</b>	<b>100.0</b>	<b>9,091</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	1	20.0	33.0	27	5.6	19.5	31.2
	Middle	4	80.0	67.0	456	94.4	80.5	68.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>100.0</b>	<b>483</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	<b>Multi-Family</b> 0.0
	Moderate	1	50.0	83.3	2,381	85.3	92.7	92.3
	Middle	1	50.0	16.7	410	14.7	7.3	7.7
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>2,791</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
HMDA Totals	Low	0	0.0	0.0	0	0.0	0.0	0.0
	Moderate	52	45.2	28.7	7,266	48.3	26.9	31.2
	Middle	63	54.8	71.3	7,765	51.7	73.1	68.8
	Upper	0	0.0	0.0	0	0.0	0.0	0.0
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>	<b>115</b>	<b>100.0</b>	<b>100.0</b>	<b>15,031</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases								
2013 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

<b>Borrower Distribution of HMDA Reportable Loans</b>								
<b>Assessment Area: 2013 Warren-Troy-Farmington Hills, MI MD 47664</b>								
Product Type	Borrower Income Levels	Bank & Aggregate Lending Comparison					Families by Family Income %	
		2013						
		Count		Agg	Dollar			Agg
		Bank			Bank	Agg		
		#	%	%	\$(000s)	\$ %	\$ %	
Home Purchase	Low	4	14.3	21.3	219	8.2	13.9	23.6
	Moderate	8	28.6	27.4	661	24.8	24.1	23.8
	Middle	8	28.6	21.3	842	31.6	23.6	23.0
	Upper	7	25.0	18.3	857	32.1	27.3	29.6
	Unknown	1	3.6	11.8	87	3.3	11.1	0.0
	<b>Total</b>		<b>28</b>	<b>100.0</b>	<b>100.0</b>	<b>2,666</b>	<b>100.0</b>	<b>100.0</b>
Refinance	Low	8	10.0	13.5	429	4.7	7.2	23.6
	Moderate	12	15.0	21.3	1,156	12.7	13.2	23.8
	Middle	22	27.5	23.8	2,308	25.4	17.2	23.0
	Upper	19	23.8	29.0	2,591	28.5	26.5	29.6
	Unknown	19	23.8	12.4	2,607	28.7	35.9	0.0
	<b>Total</b>		<b>80</b>	<b>100.0</b>	<b>100.0</b>	<b>9,091</b>	<b>100.0</b>	<b>100.0</b>
Home Improvement	Low	1	20.0	24.3	78	16.1	11.3	23.6
	Moderate	1	20.0	17.4	55	11.4	6.8	23.8
	Middle	1	20.0	26.1	27	5.6	23.0	23.0
	Upper	2	40.0	32.2	323	66.9	58.9	29.6
	Unknown	0	0.0	0.0	0	0.0	0.0	0.0
	<b>Total</b>		<b>5</b>	<b>100.0</b>	<b>100.0</b>	<b>483</b>	<b>100.0</b>	<b>100.0</b>
Multi-Family	Low	0	0.0	0.0	0	0.0	0.0	23.6
	Moderate	0	0.0	0.0	0	0.0	0.0	23.8
	Middle	0	0.0	0.0	0	0.0	0.0	23.0
	Upper	0	0.0	0.0	0	0.0	0.0	29.6
	Unknown	2	100.0	100.0	2,791	100.0	100.0	0.0
	<b>Total</b>		<b>2</b>	<b>100.0</b>	<b>100.0</b>	<b>2,791</b>	<b>100.0</b>	<b>100.0</b>
HMDA Totals	Low	13	11.3	16.7	726	4.8	9.2	23.6
	Moderate	21	18.3	23.4	1,872	12.5	16.3	23.8
	Middle	31	27.0	22.9	3,177	21.1	19.0	23.0
	Upper	28	24.3	25.1	3,771	25.1	26.8	29.6
	Unknown	22	19.1	12.0	5,485	36.5	28.7	0.0
	<b>Total</b>		<b>115</b>	<b>100.0</b>	<b>100.0</b>	<b>15,031</b>	<b>100.0</b>	<b>100.0</b>
Originations & Purchases								
2013 FFIEC Census Data								
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>								

**APPENDIX C – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>	<ol style="list-style-type: none"> <li>1. HMDA – January 1, 2013 – December 31, 2014</li> <li>2. Small Business – July 1, 2015 – December 31, 2015</li> <li>3. Community Development – May 21, 2012 – July 18, 2016</li> </ol>		
<b>FINANCIAL INSTITUTION</b>  Lapeer County Bank & Trust Company			<b>PRODUCTS REVIEWED</b>  <ol style="list-style-type: none"> <li>1. HMDA</li> <li>2. Small Business</li> <li>3. Community Development Activities</li> </ol>
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED</b>	<b>OTHER INFORMATION</b>
Warren-Troy-Farmington Hills, MI MD 47664	Full scope review	None	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.

**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.

**Consumer loan:** A loan 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, home equity, other secured loan, and other unsecured loan.

**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.

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home mortgage loans:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**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.

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**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 lenders in the MSA/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 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 (MMSA). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the

Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

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

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

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

**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.

**Small loans to business:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small loans to farms:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 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.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.