

PUBLIC DISCLOSURE

June 24, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank:

Enterprise Bank
043956550000
6150 Enterprise Parkway, Solon, Ohio 44139-2755

Supervisory Agency:

Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, Ohio 44101-1387

NOTE:

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

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Enterprise Bank prepared by The Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of June 24, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

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The following table indicates the performance level of Enterprise Bank with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | ENTERPRISE BANK PERFORMANCE LEVELS | | |
|--|---|---|---|
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does not meet Standards for Satisfactory Performance |
| Loan to Deposit Ratio | x | | |
| Lending in Assessment Area | x | | |
| Lending to Borrowers of Different Incomes and to Businesses of Different sizes | | x | |
| Geographic Distribution of Loans | | | x |
| Response to Complaints | No complaints received. | | |

DESCRIPTION OF INSTITUTION

Enterprise Bank ("EB") has its sole office in Solon, Ohio, an eastern suburb of Cleveland, Ohio. The bank, with assets of \$34,084,000 as of March 31, 1996, is a niche bank focusing primarily on commercial loans to small businesses. Approximately 80% of the bank's loan portfolio is comprised of commercial and commercial real estate loans. The bank offers a range of consumer-purpose loans, including real estate, installment, home equity line of credit, credit card, and overdraft line of credit; however, these loans are provided primarily as an accommodation for commercial customers. One consumer loan program offered to all consumers is a tuition loan program set up with two local parochial schools.

EB has no legal or financial constraints which would impede its ability to provide credit to its community. The bank's CRA rating as of its previous examination, December 19, 1994, was "Satisfactory."

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DESCRIPTION OF CUYAHOGA, GEAUGA, LAKE, AND SUMMIT COUNTIES

EB's assessment area includes all of Cuyahoga, Geauga, and Lake Counties which are part of the Cleveland-Lorain-Elyria, Ohio Primary Metropolitan Statistical Area (PMSA) and Summit County which is part of the Akron, Ohio Metropolitan Statistical Area (MSA). All four counties are located in northeastern Ohio. Solon, Ohio is located in the southeastern corner of Cuyahoga County.

Approximately 700 businesses are located in Solon, more than 120 of which are industrial companies. Solon's largest employer is Nestle Frozen Food Company (formerly Stouffer Foods Company) which employs about 2000 workers. Other large employers include Matrix Essentials, Inc. (hair and skin care products) with approximately 1200 employees; ITT Automotive with about 560 employees; and Kennametal, Inc. (machine tool products) with about 530 employees.

While the population of Cuyahoga County and the Cleveland metropolitan area has remained relatively stable over the past five years, Solon's population has increased by an average of about 3.25% per year. As of the 1990 census, Solon's population was 18,548.

The following table shows the breakdown of census tracts by income demographics for each county within EB's assessment area.¹

| County | Low- Income Tracts | Moderate- Income Tracts | Middle- Income Tracts | Upper- Income Tracts | Total # of Tracts by County |
|--|-----------------------------------|--|--------------------------------------|-------------------------------------|--|
| Cuyahoga | 122 | 91 | 176 | 110 | 499 |
| Gauga | 1 | 2 | 9 | 8 | 20 |
| Lake | 4 | 3 | 44 | 18 | 69 |
| Summit | 23 | 27 | 47 | 24 | 121 |
| Total # of Tracts by Income | 150 | 123 | 276 | 160 | 709 |

¹NOTE: Low-, moderate-, middle-, and upper-income are defined as follows:

Low-income: Up to 50% of the median MSA family income.

Moderate-income: Greater than 50% up to 80% of the median MSA family income.

Middle-income: Greater than 80% up to 120% of the median MSA family income.

Upper-income: Greater than 120% of the median MSA family income.

As of the 1990 census, the population of the four-county area was 2,223,758. The breakdown by race or national origin was as follows:

| <u>Race/National Origin</u> | <u>Number</u> | <u>percentage of population</u> |
|-----------------------------|---------------|---------------------------------|
| Nonhispanic white | 1,745,446 | 78.5% |
| African American | 413,324 | 18.6% |
| Asian | 24,270 | 1.1% |
| Hispanic | 35,019 | 1.6% |
| Other | 1,655 | 0.1% |

Based on information from the 1990 census, the median household income for the assessment area was \$29,870. The median family income was \$36,387. Household income includes the income of all residents of a household. Family income only includes the income of residents of a household who are related by blood or marriage. For purposes of CRA and demographic analysis, family income is used.

As of 1990, the labor force in the assessment area was approximately 1,091,887 or 62.8% of the population. Based on 1995 statistics, within the Cleveland PMSA, manufacturing is the leading source of employment followed by service industries, retail and wholesale trade, and construction. Within the Akron MSA, the leading source of employment is the service industry, followed by retail and wholesale trade, manufacturing, and government.²

The largest employers in Cuyahoga County are:

| <u>Company</u> | <u>Employees</u> |
|-------------------------------|------------------|
| Federal Government | 18,500 |
| Ford Motor Company | 10,896 |
| Catholic Diocese of Cleveland | 10,000 |
| Cleveland Clinic Foundation | 9,900 |
| Cleveland Board of Education | 9,673 |
| Cuyahoga County Government | 9,232 |

As of July 1996, the unemployment rate in Cuyahoga County was 5.0%, slightly higher than the State of Ohio rate of 4.8% but below the national rate of 5.6%.³

Many of the residents of Geauga, Lake, and Summit Counties commute to employment in the greater Cleveland or Akron area. Geauga County also has a growing Amish population. Major employers in Summit County include divisions of Goodyear. As of July 1996, the unemployment rates in each of these counties were Geauga, 2.7%; Lake, 3.8%; and Summit, 4.2%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank's CRA performance was analyzed using interagency examination procedures. The analysis includes the following criteria:

- loan-to-deposit ratio;
- lending activity inside and outside of the bank's assessment area;
- distribution of loans to borrowers of different income levels;
- distribution of loans to businesses and farms of different sizes;
- bank's response to written complaints, if any, about its performance in helping to meet the credit needs of its assessment area.
- reasonableness of the geographic distribution of loans within the bank's assessment area;

²U. S. Bureau of Labor Statistics

³"Ohio Labor Market Information," Ohio Bureau of Employment Services

EB's average loan-to-deposit ratio from December 31, 1994 through March 31, 1996 was 88.13% and is considered to exceed standards. This ratio was evaluated in terms of the bank's capacity to lend, the capacity and loan-to-deposit ratios of similarly situated and competitor banks, and available loan opportunities in the assessment region.

A sample of loans from EB's two major loan products, small business loans and student loans, was selected for review. Of the loans sampled, 99% of the loans from each loan type were to businesses or consumers from within the bank's assessment area.

The bank does not obtain income information from student loan applicants; therefore, it was not possible to analyze these loans based on income levels. However, a business revenue analysis was performed on the small business borrowers.⁴ Sixty-six commercial loans were selected of which 53 (80%) were made to small businesses. These 53 loans made up 85% of the dollar amount of the loan sample. Of the loans made to small businesses, 68% were for amounts of \$100,000 or less and 23% were for amounts greater \$100,000 but less than \$250,000. The remainder of the loans were for amounts greater than \$250,000 but less than \$1 million.

The analysis shows a reasonable distribution of loans to small business borrowers, especially in the area of small dollar loans.

An analysis of the distribution of both student loans and small business loans was conducted based on the income demographics of the assessment area. The majority of both loan types were made to borrowers in middle- and upper-income census tracts.

The following table shows the distribution of the student loans.

| | Low-Income | Moderate-Income | Middle-Income | Upper-Income |
|------------------------------|-------------------|------------------------|----------------------|---------------------|
| Total # of loans | 3 | 9 | 37 | 19 |
| % of total loans | 4% | 13% | 54% | 28% |
| Total amount of loans | \$8,580 | \$27,790 | \$150,145 | \$93,475 |
| % of total loans | 3% | 10% | 54% | 33% |

The loans made under the bank's student loan program are only available to those students attending two local parochial schools. Therefore, the borrower base is confined to an area smaller than the bank's entire assessment area.

The following table shows the distribution of small business loans by the income demographics of the census tracts within the assessment area.

| | Low-Income | Moderate-Income | Middle-Income | Upper-Income |
|------------------------------|-------------------|------------------------|----------------------|---------------------|
| Total # of loans | 4 | 2 | 33 | 27 |
| % of total loans | 6% | 3% | 50% | 41% |
| Total amount of loans | \$261,460 | \$114,450 | \$3,393,740 | \$2,502,441 |
| % of total loans | 4% | 2% | 54% | 40% |

⁴Small businesses and farms are defined as entities having gross annual revenues of \$1 million or less.

In Cuyahoga County, the majority of EB's loans are made to businesses in communities surrounding Cleveland. The majority of low- and moderate-income census tracts are located in and around Cleveland.

An isolated violation involving a spousal signature obtained in violation of the requirements of Regulation B was noted during the examination. The bank's management responded immediately to correct the violation. Additionally, technical violations of Regulation B were noted. Training was provided to all loan personnel regarding fair lending laws and additional materials were ordered. Because the violations were isolated or technical, there is no adjustment to the CRA rating.

Since the previous examination, no complaints were received by the Federal Reserve Bank of Cleveland or Enterprise Bank regarding the bank's performance under the Community Reinvestment Act.