

## **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 operations 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 CRA performance of **The State Bank of Coloma, Coloma, Michigan**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 14, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.

**INSTITUTION'S RATING:** This institution is rated **Satisfactory**.

The bank's loan portfolio is reasonably distributed to all income levels. The loan-to-deposit ratio (LTD) is adequate considering the bank's asset size, economic conditions, and available resources. The bank's portfolio consists of originations of consumer, real estate, small business, and farm loans. There were no complaints received since the last examination.

## **DESCRIPTION OF INSTITUTION**

The State Bank of Coloma is a locally owned institution with 28 million in assets as of June 30, 1997. The bank's lone facility is located in the City of Coloma, Michigan. The bank offers a variety of loan products including; single payment, installment, closed end home equity, real estate, commercial, agricultural and farm loans. The bank works with Community Home Mortgage, an independent broker who prepares real estate mortgages to be funded by the bank and then sold on the secondary market. Together they offer three, five, and seven year balloon mortgages. Working with the broker allows bank lending personnel to devote more time to other lending products that the bank offers.

## **DESCRIPTION OF BANK'S ASSESSMENT AREA**

The bank is located approximately ten miles northeast of Benton Harbor, Michigan, and is within the Benton Harbor MSA. The bank's assessment area falls within the Benton Harbor and Kalamazoo MSAs in southwestern Michigan. The rectangularly-shaped assessment area encompasses eight contiguous census tracts; four census tracts are in the Benton Harbor MSA (Berrien County), and four census tracts are in the Kalamazoo MSA (Van Buren County). All eight census tracts in the assessment area are defined as middle-income (less than 120% and greater than 80% of the median family income).

According to 1990 U.S. Census data, the total population in the assessment area is

approximately 33,245. The median household income of \$25,581 in the assessment area is below the median incomes for both the Kalamazoo (\$28,974) and Benton Harbor (\$27,245) MSAs. Approximately 36.0% of the households in the assessment area are upper-income, 21.0% are middle-income, 17.0% are moderate-income, and 26.0% are low-income.

Contacts with community members revealed that as much as 70.0% of the land in Berrien County is used for agricultural purposes. Census data for the Benton Harbor and Kalamazoo MSAs indicates that from 1990 to 1995 the number of individuals employed in the farming industry decreased by approximately 10.0%. Between 1990 and 1995, the manufacturing industry has consistently employed approximately 25.0% of the total workforce in the assessment area. Large industrial employers in the assessment area are: Coloma Frozen Foods, a producer of frozen foods and juices employing 150; Menasha Corporation, a manufacturer of boxes and containers, employing 124; and Assembled Components, a manufacturer of cable, employing 75. The September 1997 unemployment rates for Berrien and Van Buren Counties at 7.3% and 7.4%, respectively, are below the State of Michigan's September 1997 unemployment rate of 8.2%.

There are a total of 16,157 housing units in the assessment area, with 9,341 or 57.8% owner-occupied, 3,033 or 18.8% renter-occupied, and 3,783 or 23.4% vacant. The high vacancy rate is partially attributed to the significant number of vacation homes in Berrien County. One-to-four family residences comprise 83.0% of the housing stock in the assessment area. There are approximately 1,980 mobile homes throughout the middle-income and moderate-income census tracts which comprise 12.0% of the housing stock in the assessment area.

The median housing value of \$44,701 within the assessment area is significantly below the median housing values for the Benton Harbor (\$52,723) and Kalamazoo (\$53,550) MSAs, and the State of Michigan (\$60,062). No large-scale housing developments are planned for the near future. There are no low- or moderate-income census tracts in the assessment area.

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

Conclusions under each performance criteria are based on the bank's recent loan performance compared to demographic data gathered and the credit needs of the community identified through interviews with community members. The efforts of local competing financial institutions were also considered when addressing whether the overall credit needs of the community were being met.

**Loan-to-Deposit Ratio**

The bank's four quarter average loan-to-deposit ratio ending June 30, 1997, was 56.5%. According to the June 30, 1997 Uniform Bank Performance Report (UBPR), the bank's current LTD of 57.5% is below the peer level of 67.4%. The bank's loan portfolio mix compared to the peer loan mix is illustrated in the following chart:

| LOAN TYPE   | BANK AVERAGE LOAN MIX (%) | PEER AVERAGE LOAN MIX (%) |
|---|---------------------------|---------------------------|
| REAL ESTATE LOANS   |                           |                           |
| Construction/Development  | 0.0                       | 3.2                       |
| 1 - 4 Family Residential  | 56.6                      | 27.8                      |
| Home Equity   | 0.0                       | 0.6                       |
| Other Real Estate   | 17.8                      | 20.8                      |
| Farmland  | 1.8                       | 1.3                       |
| Multi-family  | 0.0                       | 0.8                       |
| Commercial  | 16.1                      | 14.8                      |
| TOTAL REAL ESTATE LOANS   | 74.5                      | 59.1                      |
| LOANS TO INDIVIDUALS  | 9.3                       | 12.1                      |
| CREDIT CARD LOANS   | 0.0                       | 0.1                       |
| COMMERCIAL & INDUSTRIAL LOANS   | 11.4                      | 17.2                      |
| AGRICULTURAL LOANS  | 4.3                       | 1.7                       |
| MUNICIPAL LOANS   | 0.3                       | 0.0                       |
| OTHER LOANS*  | 0.2                       | 0.1                       |
| *Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables |                           |                           |

As indicated in the above chart, loans secured by one-to-four family real estate comprised approximately 57.6% of the entire portfolio, while commercial real estate was 16.1%, and commercial and industrial accounted for 11.4%. The State Bank of Coloma outperformed peer in three loan categories including; one-to-four family real estate loans, commercial loans, and agricultural loans. According to discussions with community members, there is a large demand for residential loans. All other types of lending has declined or is being satisfactorily met by local financial institutions. The bank's loan-to-deposit ratio is reasonable when compared to its peer group and meets the standards for satisfactory performance.

**Lending Within the Assessment Area and Lending by Income, and Geographic Distribution**

The bank's internal analysis of loans made during 1996 and 1997 revealed that the bank originated 100.0% of single payment, 80.0% of installment, 90.0% of commercial and 70.0% of real estate loans within the assessment area.

The following chart shows the geographic distribution of the examination loan sample:

| LOAN TYPE            | TOTAL SAMPLED | WITHIN THE LOCAL DELINEATED COMMUNITY | PERCENT OF TOTAL |
|----------------------|---------------|---------------------------------------|------------------|
| Single Payment       | 2             | 2                                     | 100.0            |
| Installment          | 10            | 8                                     | 80.0             |
| Real Estate          | 10            | 7                                     | 70.0             |
| Commercial           | 10            | 9                                     | 90.0             |
| Total Approved Loans | 32            | 27                                    | 84.4             |

As indicated in the above chart, 84.4% of the loans were made within the assessment area. A review of the call report and discussions with management revealed that all of the lending to small businesses was in amounts under one million dollars.

A review of the bank's 1997 and 1996 HMDA data revealed that approximately 76.0% of the bank's 1996 HMDA applications were generated within the Benton Harbor MSA. A majority of 1997 loans (69.0%) were generated in the City of Coloma, and in Coloma and Watervliet Townships. The bank originated a total of 31 (47.0%) HMDA reportable loans to low- and moderate-income residents during the same time period. Based on the reasonableness of the bank's lending performance within the assessment area, and the high number of loans made to low- and moderate- income individuals, the bank's performance meets the standards for satisfactory performance for these criteria.

Because there are no low- or moderate-income census tracts in the bank's assessment area, an evaluation of the bank's loan distribution to geographies was not completed.

**Response to Substantiated Complaints**

No complaints were received by the institution regarding its CRA performance since the previous examination.