

# **PUBLIC DISCLOSURE**

January 3, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Community Bank  
RSSD# 932745

200 East Main Street  
Harbor Springs, Michigan 49740

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**

**PERFORMANCE EVALUATION ..... 2**

**SCOPE OF EXAMINATION ..... 2**

**DESCRIPTION OF INSTITUTION..... 3**

**DESCRIPTION OF ASSESSMENT AREA.....4**

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA ..... 7**

**NORTHERN MICHIGAN NON-MSA – FULL REVIEW ..... 9**

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN *NORTHERN MICHIGAN NON-MSA*..... 14

**GRAND RAPIDS-KENTWOOD, MICHIGAN MSA #24340 – LIMITED REVIEW..... ERROR! BOOKMARK NOT DEFINED.7**

    DESCRIPTION OF INSTITUTION’S OPERATIONS IN *GRAND RAPIDS-KENTWOOD, MICHIGAN MSA #24340* ..... 17

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS *GRAND RAPIDS-KENTWOOD, MICHIGAN MSA #24340* . ..... 19

**WARREN-TROY-FARMINGTON HILLS, MD #47664 – LIMITED REVIEW..... 21**

    DESCRIPTION OF INSTITUTION’S OPERATIONS IN *WARREN-TROY-FARMINGTON HILLS, MD #47664* ..... 21

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS *WARREN-TROY-FARMINGTON HILLS, MD #47664*. ..... 23

**WESTERN MICHIGAN NON-MSA – LIMITED REVIEW ..... 25**

    DESCRIPTION OF INSTITUTION’S OPERATIONS IN *WESTERN MICHIGAN NON-MSA* ..... 25

    CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS *WESTERN MICHIGAN NON-MSA* ... ..... 27

**APPENDIX A – MAPS OF ASSESSMENT AREA ..... 29**

**APPENDIX B – SCOPE OF EXAMINATION ..... 30**

**APPENDIX C – GLOSSARY.....31**

## BANK'S CRA RATING

First Community Bank is rated **Satisfactory**.

First Community Bank (FCB) provides credit consistent with its size, location, and the economic conditions within the assessment area. Based on an analysis of lending activities, the bank is satisfactory in meeting the credit needs of its community. The bank's average loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, performance context, and assessment area credit needs. A majority of loans were originated in the assessment area. Loan distribution reflects reasonable penetration among businesses of different sizes and the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Neither First Community Bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

## SCOPE OF EXAMINATION

First Community Bank's Community Reinvestment Act (CRA) performance was evaluated using the Interagency Small Institution Examination Procedures issued by the Federal Financial Institutions Examinations Council (FFIEC). The evaluation was performed within the context of information about the institution and its assessment area including asset size, financial condition, competition, credit needs, and economic and demographic characteristics. For this evaluation, the major product reviewed was small business lending.

FCB operates within four delineated assessment areas: Northern Michigan (Cheboygan and Emmet Counties) Non-MSA, Western Michigan Non-MSA, Grand Rapids-Kentwood MSA #24340, and Warren-Troy-Farmington Hills, Metropolitan Division (MD) #47664. The bank's performance in the Northern Michigan Non-MSA assessment area was weighted heavier in determining the overall CRA rating due to branch concentration, deposit volume, and the volume of the bank's total small business loans originated in the assessment area. As such, the Northern Michigan MSA received a full-scope review while the remaining assessment areas received limited scope reviews.

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

- ***Loan-to-Deposit Ratio*** – An 18-quarter average loan-to-deposit ratio, from June 30, 2017 through September 30, 2021, was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's small business loans originated from April 1, 2021 through September 30, 2021, were reviewed to determine the percentage of loans originated within the assessment area.

- **Geographic Distribution of Lending in the Assessment Area** – The bank’s small business loans originated within the assessment area, from April 1, 2021 through September 30, 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 Businesses of Different Sizes** – The bank’s small business loans originated within the assessment area, from April 1, 2021 through September 30, 2021, were reviewed to determine the distribution 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.

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. The following types of organizations were contacted: economic development and community development.

**DESCRIPTION OF INSTITUTION**

FCB is a wholly-owned subsidiary of Harbor Springs Financial Corporation, both of which are located in Harbor Springs, Michigan. The intrastate bank operates its main office in Harbor Springs, Michigan, with nine additional locations in Birmingham, Cheboygan, Grand Rapids, Harbor Springs, Petoskey, and Traverse City. Additionally, seven out of the bank’s 10 locations operate cash-only automated teller machines (ATMs). There are currently no plans for merger or acquisition activity. A list of the bank’s branches is provided in the following table:

<b>First Community Bank Branch Listing</b>			
<b>Branch Name</b>	<b>Assessment Area</b>	<b>County</b>	<b>City &amp; State</b>
Harbor Springs (Main)	Northern Michigan Non-MSA	Emmet	Harbor Springs, Michigan
Lake Street	Northern Michigan Non-MSA	Emmet	Harbor Springs, Michigan
Pleasantview	Northern Michigan Non-MSA	Emmet	Harbor Springs, Michigan
Petoskey	Northern Michigan Non-MSA	Emmet	Petoskey, Michigan
Spring Street	Northern Michigan Non-MSA	Emmet	Petoskey, Michigan
Division Road	Northern Michigan Non-MSA	Emmet	Petoskey, Michigan
Cheboygan	Northern Michigan Non-MSA	Emmet	Cheboygan, Michigan
Traverse City	Western Michigan Non-MSA	Grand Traverse	Traverse City, Michigan
Birmingham	Warren-Troy-Farmington Hills, Michigan MD #47664	Oakland	Birmingham, Michigan
Grand Rapids	Grand Rapids-Kentwood Michigan MSA #24340	Kent	Grand Rapids, Michigan

FCB offers a variety of traditional lending products. The bank is primarily a commercial lender, as this category represents 85.2 percent of the loan portfolio. Furthermore, the bank offers non-complex deposit and savings products including personal and business/commercial checking and savings accounts. According to the Uniform Bank Performance Report, as of Sept 30, 2021, the bank reported total assets of \$445.2 million and total deposits of \$397.5 million.

Details of the allocation of the bank’s loan portfolio are provided in the following table:

<b>Composition of Loan Portfolio as of September 30, 2021</b>		
<b>Loan Type</b>	<b>Dollar Volume (\$ in 000s)</b>	<b>% Of Portfolio</b>
Commercial	246,930	85.2
Residential Real Estate	38,415	13.2
Consumer	2,719	0.9
Agricultural	995	0.3
Other	930	0.3
<b>Total Loans</b>	<b>289,989</b>	<b>100.0</b>
<i>Note: Percentages may not total 100.00 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 October 16, 2017.

**DESCRIPTION OF ASSESSMENT AREA**

FCB maintains four assessment areas throughout the state of Michigan. Details on the bank’s assessment areas are included in the following table. In February 2020, the bank added the Warren-Troy-Farmington Hills, MI MD #47664 assessment area due to the addition of a full-service branch, without an ATM, in Birmingham, Michigan. Additionally, the bank relocated the Grand Rapids branch to another location within the Grand Rapids-Kentwood, MI MSA #24340. The new and relocated branches are located in upper-income census tracts and did not result in any material changes to the bank’s location in or near low- or moderate-income census tracts.

<b>Description of First Community Bank’s Individual Assessment Areas</b>		
<b>Scope</b>	<b>Assessment Area</b>	<b>Description</b>
Full	Northern Michigan Non-MSA	Emmet and Cheboygan Counties
Limited	Grand Rapids-Kentwood, MI MSA #24340	Kent County
Limited	Warren-Troy-Farmington Hills, MD #47664	Oakland County
Limited	Western Michigan Non-MSA	Benzie, Grand Traverse, and Leelanau Counties

According to 2021 FFIEC Census Data, the combined assessment area consists of 514 census tracts. Of those 514 census tracts, 123 are designated as low- or moderate-income (34 low- and 89 moderate-income), representing 23.9 percent of all tracts in the combined assessment area. These low- and moderate-income census tracts are home to 104,220 families, representing 19.8 percent of all families in the assessment area. According to the FFIEC, there are nine underserved census tracts, due to their remote nature, within the Northern MI Non MSA; six of these nine census tracts are located in Cheboygan County and are also considered distressed due to high unemployment rates. The remaining three underserved census tracts are located in Emmet County.

A total of 119,947 businesses are located in the combined assessment area, of which 25,277 (21.0 percent) are located in low- and moderate-income census tracts. Businesses with gross annual revenues under \$1.0 million represent 89.5 percent of total business, evidencing ample lending opportunities to small businesses within the assessment area.

Assessment Area: 2021 Combined Assessment Area								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	34	6.6	24,731	4.7	9,111	36.8	98,732	18.7
Moderate-income	89	17.3	79,489	15.1	13,241	16.7	83,272	15.8
Middle-income	189	36.8	197,964	37.6	13,465	6.8	105,150	19.9
Upper-income	196	38.1	224,988	42.7	8,047	3.6	240,018	45.5
Unknown-income	6	1.2	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>514</b>	<b>100.0</b>	<b>527,172</b>	<b>100.0</b>	<b>43,864</b>	<b>8.3</b>	<b>527,172</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	51,332	15,241	2.7	29.7	28,369	55.3	7,722	15.0
Moderate-income	156,582	72,371	12.7	46.2	70,403	45.0	13,808	8.8
Middle-income	345,347	224,507	39.5	65.0	85,028	24.6	35,812	10.4
Upper-income	335,709	256,039	45.1	76.3	51,204	15.3	28,466	8.5
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>888,970</b>	<b>568,158</b>	<b>100.0</b>	<b>63.9</b>	<b>235,004</b>	<b>26.4</b>	<b>85,808</b>	<b>9.7</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	5,310	4.4	4,297	4.0	979	8.4	34	3.6
Moderate-income	19,967	16.6	17,147	16.0	2,693	23.2	127	13.4
Middle-income	39,435	32.9	35,806	33.3	3,339	28.7	290	30.5
Upper-income	55,234	46.0	50,130	46.7	4,605	39.6	499	52.5
Unknown-income	1	0.0	1	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>119,947</b>	<b>100.0</b>	<b>107,381</b>	<b>100.0</b>	<b>11,616</b>	<b>100.0</b>	<b>950</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>89.5</b>		<b>9.7</b>		<b>0.8</b>
	<b>Total Farms by Tract</b>	<b>Farms 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	12	1.0	12	1.0	0	0.0	0	0.0
Moderate-income	73	6.2	66	5.7	7	18.9	0	0.0
Middle-income	559	47.1	541	47.1	18	48.6	0	0.0
Upper-income	542	45.7	530	46.1	12	32.4	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,186</b>	<b>100.0</b>	<b>1,149</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>			<b>96.9</b>		<b>3.1</b>		<b>0.0</b>

2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS

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

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FCB's loan-to-deposit (LTD) ratio is more than reasonable considering the bank's size, financial condition, and assessment area credit needs. As of June 30, 2021, the bank's LTD ratio averaged 93.1 percent over an 18-quarter period. The bank's LTD was above majority of the bank's local competitors, falling behind Mercantile Bank of Michigan and Grand River Bank. FCB's LTD ratio has declined 6.1 percent since the previous evaluation conducted on October 16, 2017, largely due to an increase in deposits in response to the pandemic. The LTD ratio was evaluated relative to the bank's financial condition, capacity to lend, and its competitors. Also considered were demographic factors, the bank's lending and deposit strategy, economic conditions, and lending opportunities within the assessment area. The following table compares the bank's LTD ratio to its local competitors.

<b>Comparative Loan-to-Deposit Ratios</b>	
<b>Institution</b>	<b>Loan-to-Deposit Ratio (%)</b>
	<b>18 – Quarter Average</b>
First Community Bank	93.1
<b>Competitors</b>	
Citizens National Bank of Cheboygan	52.3
Choiceone Bank	67.9
First National Bank of Michigan	92.1
Grand River Bank	100.8
Honor Bank	88.5
Independent Bank	83.7
Mercantile Bank of Michigan	101.3
State Savings Bank	87.2

### Assessment Area Concentration

FCB's assessment area concentration is reasonable. The bank originated a majority of its loans in its delineated assessment areas.

FCB originated 85.7 percent of small business loans by number and 83.5 percent by dollar amount within the combined assessment area. Considering economic conditions; loan demand; and the bank's financial condition, size, and complexity the bank's percentage of small business originations inside the combined assessment area indicates the bank is actively serving the credit needs of the community. The following table summarizes the bank's lending inside and outside the combined assessment area.



<b>Lending Inside and Outside the Assessment Area</b>								
<b>Loan Type</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
Small Business	54	85.7	10,311	83.5	9	14.3	2,037	16.5
<b>Total Loans</b>	<b>54</b>	<b>85.7</b>	<b>10,311</b>	<b>83.5</b>	<b>9</b>	<b>14.3</b>	<b>2,037</b>	<b>16.5</b>
<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 Community Bank’s overall 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 businesses of different sizes in each assessment area. The specifics of the bank’s lending in each assessment area and relevant demographics are discussed in the individual assessment area sections.

### **Response to Complaints**

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

### **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.

## NORTHERN MICHIGAN NON-MSA – FULL REVIEW

### SCOPE OF EXAMINATION

Full scope examination procedures were used to evaluate the bank's performance in the Northern Michigan (Cheboygan and Emmet Counties) Non-MSA assessment area. The scope is consistent with the scope of examination described within the institution summary. For further information, please refer to the "Scope of Examination" section.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTHERN MICHIGAN NON-MSA

The Northern Michigan Non-MSA assessment area is comprised of Cheboygan and Emmet Counties in their entireties and consists of 18 census tracts, including two moderate-, nine middle-, five upper- and two unknown-income level census tracts. According to Census Tract Maps, the two unknown-income census tracts are located in Lake Huron and Lake Michigan. Of those eighteen census tracts, nine have been classified by the FFIEC as underserved or distressed due to unemployment and the rural nature of the assessment area. Six of these tracts are in Cheboygan County and the remaining three tracts are in Emmet County. FCB operates its main office with a cash-only ATM and six additional branches with cash-only ATMs within the Northern Michigan Non-MSA. The main office is located in an upper-income census tract in the city of Harbor Springs, Michigan. Five of the six additional branches are located in upper-income census tracts and one branch is located in a moderate-income census tract in Cheboygan, Michigan. There have not been any changes to this assessment area since the bank's previous examination.

According to the June 30, 2021, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, FCB ranked third among seven FDIC-insured depository institutions operating in the bank's assessment area, with a market share of approximately 16.7 percent. For reference and comparison, the first and second ranked financial institutions by market share are Citizens National Bank of Cheboygan and JPMorgan Chase Bank with 23.6 percent and 20.5 percent, respectively. The seven FDIC-insured depository institutions operating in the assessment area maintain a total of 27 branch offices, of which seven belong to FCB.

Additional assessment area demographic information is provided in the following table.

Assessment Area: 2021 Northern MI Non MSA								
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	3,016	18.0
Moderate-income	2	11.1	2,007	12.0	440	21.9	2,979	17.8
Middle-income	9	50.0	9,080	54.1	935	10.3	3,746	22.3
Upper-income	5	27.8	5,692	33.9	314	5.5	7,038	41.9
Unknown-income	2	11.1	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>18</b>	<b>100.0</b>	<b>16,779</b>	<b>100.0</b>	<b>1,689</b>	<b>10.1</b>	<b>16,779</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	3,586	2,045	10.4	57.0	932	26.0	609	17.0
Middle-income	21,834	11,119	56.5	50.9	1,999	9.2	8,716	39.9
Upper-income	14,183	6,501	33.1	45.8	2,575	18.2	5,107	36.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>39,603</b>	<b>19,665</b>	<b>100.0</b>	<b>49.7</b>	<b>5,506</b>	<b>13.9</b>	<b>14,432</b>	<b>36.4</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	471	12.7	433	12.8	33	12.8	5	8.1
Middle-income	1,407	37.9	1,296	38.2	80	31.0	31	50.0
Upper-income	1,835	49.4	1,664	49.0	145	56.2	26	41.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>3,713</b>	<b>100.0</b>	<b>3,393</b>	<b>100.0</b>	<b>258</b>	<b>100.0</b>	<b>62</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>91.4</b>		<b>6.9</b>		<b>1.7</b>
	<b>Total Farms by Tract</b>	<b>Farms 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	8	7.7	8	7.8	0	0.0	0	0.0
Middle-income	63	60.6	62	60.2	1	100.0	0	0.0
Upper-income	33	31.7	33	32.0	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>104</b>	<b>100.0</b>	<b>103</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>			<b>99.0</b>		<b>1.0</b>		<b>0.0</b>

2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS

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

## Population Characteristics

According to 2015 American Community Survey (ACS) data, the Northern Michigan Non-MSA assessment area's population is 58,708, which is a 0.2 percent decrease from the 2010 decennial census. This is attributed to the population in Cheboygan County, which decreased by 1.8 percent. A community representative stated that the population decrease within Cheboygan County is primarily due to the rural nature of the area and individuals choosing to migrate elsewhere. Additionally, a representative stated the slight increase in population for Emmet County may be attributed to the aging population and the attractiveness of retirement within the area.

Population Change 2010 and 2015			
Area	2010 Population	2015 Population	Percentage Change
Assessment Area	58,846	58,708	-0.2
Cheboygan County	26,152	25,690	-1.8
Emmet County	32,694	33,018	1.0
Non-MSA Michigan	1,816,846	1,806,007	-0.6
Michigan	9,883,640	9,900,571	0.2

*Source: 2010—U.S. Census Bureau: Decennial Census  
2015—U.S. Census Bureau: Annual Population Estimates OR 2010—U.S. Census Bureau: Decennial Census*

## Income Characteristics

According to 2021 FFIEC Census Data, the Northern Michigan Non-MSA assessment area is comprised of 16,779 families, with 18.0 percent being low-income, 17.8 percent being moderate-income, 22.3 percent middle-income, and 41.9 percent upper-income. Approximately 10.1 percent of families residing within the assessment area live below the poverty line.

The following table presents the median family income (MFI) for the assessment area, the counties comprising the assessment area, the Non-MSA, and the state of Michigan. According to 2010-2015 ACS data, the MFI in Cheboygan County and Emmet County decreased by 4.3 percent and 3.9 percent, respectively, between 2010 and 2015. Emmet County continues to have a significantly higher MFI than Cheboygan County. Community representatives state median family income has continued to decrease in recent years, primarily due to financial challenges in response to the pandemic. Additionally, post pandemic, employers do not offer competitive wages.

Median Family Income Change 2010 and 2015			
Area	2010 Median Family Income	2015 Median Family Income	Percentage Change
Assessment Area	58,084	55,341	-4.7
Cheboygan County	49,840	47,717	-4.3
Emmet County	67,079	64,487	-3.9
Non-MSA Michigan	54,888	53,628	-2.3
Michigan	65,708	62,247	-5.3

Source: 2006-2015—U.S. Census Bureau: American Community Survey  
Median Family Incomes have been inflation-adjusted and are expressed in 2015 dollars.

### Housing Characteristics

There are 39,603 housing units within the assessment area, approximately 49.7 percent of which are owner-occupied. The remaining portion is comprised of 13.9 percent rental and 36.4 vacant units.

The following table shows the percentage of renters and owners spending more than 30.0 percent of household income on housing costs. Among the geographies analyzed, Emmet County has the highest percentage of low-income renters facing housing cost burden at 77.3 percent, which is significantly higher than Cheboygan County at 59.7 percent and the Non-MSA Michigan’s 69.9 percent. Moderate-income renters in both Cheboygan (28.6 percent) and Emmet Counties (29.4 percent) faced lower housing cost burden when compared to the Non-MSA Michigan rate of 32.8 percent. Emmet County also has more low-income owners facing housing cost burden at 62.8 percent compared to Cheboygan County at 51.3 percent, but is comparable to the Non-MSA Michigan rate of 62.4 percent. According to the chart below, the housing cost burden rate of all renters for both counties is lower than the Non-MSA Michigan rate, however given that low-income renters in Emmet County is significantly higher than Cheboygan County and Non-MSA Michigan rates indicates the need for low-income rental options. Community representatives stated there continues to be a need for homeownership opportunities, especially for low- and moderate-income families.

Housing Cost Burden						
Area	Cost Burden (%) - Renters			Cost Burden (%) - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	69.9	29.2	38.6	56.9	36.0	21.5
Cheboygan County	59.7	28.6	36.1	51.3	28.8	19.9
Emmet County	77.3	29.4	39.9	62.8	43.5	22.9
Non-MSA Michigan	69.9	32.8	41.0	62.4	29.9	20.2
Michigan	75.7	39.7	44.6	65.8	31.8	19.7

Cost Burden is housing cost that equals 30.0 percent or more of household income  
Source: U.S. Department of Housing and Urban Development (HUD), 2011-2015 Comprehensive Housing Affordability Strategy

## Employment Characteristics

The following table presents the unemployment trends for the assessment area and its counties, the Northern Michigan Non-MSA, and the state of Michigan from 2017 to 2020. Overall, all counties within the assessment area experienced significant increases in unemployment rates from 2019 to 2020, in many cases nearly doubling. This aligns with unemployment trends in the Northern Michigan Non-MSA and the state of Michigan. Community representatives indicated that the increase in 2020 was due to the pandemic, but rates are more recently decreasing for the assessment area and many businesses are now experiencing challenges finding employees.

Unemployment Rates (%)				
Area	2017	2018	2019	2020
Assessment Area	7.8	7.2	6.5	12.0
Cheboygan County	10.0	9.2	8.5	14.6
Emmet County	6.5	5.9	5.3	10.5
Non-MSA Michigan	5.6	4.9	4.6	9.0
Michigan	4.6	4.2	4.1	9.9

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

## Industry Characteristics

The assessment area has a large percentage of government workers due to the presence of local government offices. Additionally, there are a large number of retail and health care employers throughout the assessment area. Community representatives confirmed that health care and retail workers comprise a large percentage of the private sector work force. This industry saw a decrease between the third and fourth quarter in 2020. Discussions with community representatives indicated some businesses experienced challenges with sustainability in response to the pandemic.

## Community Representatives

Two community representatives were contacted to provide information regarding local economic and demographic conditions. The representatives provided information on employment, housing, and economic development needs within the assessment area. Community representatives stated unemployment reflected a steady decline before the COVID-19 pandemic, indicating a stable economy. Consequently, in 2020, the pandemic triggered an uptick in unemployment. The pandemic resulted in a loss of jobs, income, and small businesses. Most significantly harmed were retail businesses. As of today, unemployment has declined and returned to its pre-pandemic state. Businesses and tourism have begun to recover, and the assessment area is now in dire need of employees to fill job openings. Both representatives indicated the area didn't experience an extreme long-term economic hit from the pandemic. However, there is a need for affordable housing within the assessment area due to the tourism economy affecting homeownership.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NORTHERN MICHIGAN NON-MSA

### LENDING TEST

#### Geographic Distribution of Loans

The bank's geographic distribution of small business loans reflects reasonable dispersion throughout the bank's assessment area. The review focused on small business lending as this is the primary business line of the bank.

The bank's limited lending in the assessment area does not reflect a lack of willingness to lend and is reasonable considering the bank's deposit market share and its lending activity during exceptionally difficult economic circumstances. A gap analysis was conducted as a part of the evaluation. Overall, no substantial gaps were noted. The gap analysis indicated that although volume is low, the bank is lending in the census tracts within the assessment area. There are no low-income census tracts in the assessment area; therefore, the analysis focused on lending in moderate-income census tracts.

#### Small Business Lending

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The 2021 small business loan sample includes 26 loans originated within the assessment area. FCB originated 11.5 percent of its small business loans in the moderate-income census tracts, which is consistent with the percentage of businesses located in moderate-income census tracts (12.7 percent). The bank originated 38.5 percent of its small business loans in middle-income tracts, which is consistent with the percentage of businesses located in these tracts at 37.9 percent. Finally, the bank originated 50.0 percent of its small business loans in upper-income census tracts, which is similar to the percentage of total businesses located in upper-income census tracts at 49.4 percent.

The following table presents the geographic distribution of small business loans during the review period of April 1, 2021, to September 30, 2021.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2021 Northern MI Non MSA</b>						
	<b>Tract Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				
		<b>Count Bank</b>		<b>2021 Dollar Bank</b>		<b>Total Businesses</b>
		<b>#</b>	<b>%</b>	<b>\$ 000s</b>	<b>\$ %</b>	
<b>Small Business</b>	Low	0	0.0	0	0.0	0.0
	Moderate	3	11.5	578	16.9	12.7
	Middle	10	38.5	1,004	29.3	37.9
	Upper	13	50.0	1,848	53.9	49.4
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>26</b>	<b>100.0</b>	<b>3,429</b>	<b>100.0</b>	<b>100.0</b>

2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

## Lending to Businesses of Different Sizes

### Small Business Lending

The borrower distribution of small business loans among businesses of different revenue sizes is reasonable. Businesses with \$1.0 million or less in gross annual revenue comprise 80.8 percent of small business loan originations by number, which is significantly below the demographic of total small businesses (91.4) percent. Of the 21 loans made to small businesses, 61.9 percent were in dollar amounts of \$100,000 or less, which is deemed most beneficial to small business borrowers, thus indicating the bank’s willingness to meet the credit needs of small businesses. Although the bank’s performance is below the percentage of total businesses making \$1.0 million or less annually located within the assessment area, high competition within the non-metropolitan area provides challenges for the bank to be able to increase its small business lending.

The following table presents the borrower distribution of small business loans from April 1, 2021, through September 30, 2021.



Small Business Lending By Revenue & Loan Size							
Assessment Area: 2021 Northern MI Non MSA							
Product Type		Bank & Demographic Comparison					
		Count Bank		2021 Dollar Bank		Total Businesses	
		#	%	\$ 000s	\$ %	%	
Small Business	Revenue	\$1 Million or Less	21	80.8	2,912	84.9	91.4
		Over \$1 Million	5	19.2	517	15.1	6.9
		Unknown	0	0.0	0	0.0	1.7
		<b>Total</b>	<b>26</b>	<b>100.0</b>	<b>3,429</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	17	65.4	756	22.0	
		\$100,001 - \$250,000	4	15.4	611	17.8	
		\$250,001 - \$1 Million	5	19.2	2,063	60.1	
		<b>Total</b>	<b>26</b>	<b>100.0</b>	<b>3,430</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	13	61.9	381	13.1	
		\$100,001 - \$250,000	3	14.3	469	16.1	
		\$250,001 - \$1 Million	5	23.8	2,063	70.8	
		<b>Total</b>	<b>21</b>	<b>100.0</b>	<b>2,913</b>	<b>100.0</b>	
Originations & Purchases							
2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

## **GRAND RAPIDS-KENTWOOD, MICHIGAN MSA #24340 – LIMITED REVIEW**

### **SCOPE OF EXAMINATION**

The scope for this assessment area is consistent with the scope represented in the overall section of the Performance Evaluation.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN GRAND RAPIDS-KENTWOOD, MICHIGAN MSA #24340**

The Grand Rapids-Kentwood Michigan, MSA #24340 assessment area is comprised of Kent County in its entirety. Kent County is comprised of 128 census tracts, which includes 11 low-, 31 moderate-, 54 middle-, and 32 upper-income level census tracts. The bank maintains one branch with no ATM in an upper-income census tract. Since the previous examination, the bank relocated its singular Kent County branch in August 2020, approximately seven miles from its previous location. This relocation did not adversely impact the bank's ability to serve low- or moderate-income census tracts. There have been no changes to this assessment area since the previous examination.

The June 30, 2021, FDIC Deposit Market Share Report ranks FCB 21<sup>st</sup> of 24 FDIC-insured depository institutions operating in the bank's assessment area with a market share of 0.2 percent. Leaders in market share include Fifth Third Bank (22.8 percent), The Huntington National Bank (18.0 percent), and JPMorgan Chase Bank (11.1 percent). The 23 banks competing for deposits and loans with FCB have 168 offices in the assessment area.

The 2021 assessment area demographics are provided in the following table.

Assessment Area: 2021 Grand Rapids-Kentwood, MI MSA 24340								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	11	8.6	7,617	4.9	3,211	42.2	31,574	20.4
Moderate-income	31	24.2	30,882	20.0	5,890	19.1	26,589	17.2
Middle-income	54	42.2	65,906	42.7	5,119	7.8	33,410	21.6
Upper-income	32	25.0	50,012	32.4	1,773	3.5	62,844	40.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>128</b>	<b>100.0</b>	<b>154,417</b>	<b>100.0</b>	<b>15,993</b>	<b>10.4</b>	<b>154,417</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	13,407	4,519	2.8	33.7	6,848	51.1	2,040	15.2
Moderate-income	58,658	26,374	16.5	45.0	27,763	47.3	4,521	7.7
Middle-income	107,352	73,522	45.9	68.5	28,452	26.5	5,378	5.0
Upper-income	68,807	55,625	34.8	80.8	9,858	14.3	3,324	4.8
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>248,224</b>	<b>160,040</b>	<b>100.0</b>	<b>64.5</b>	<b>72,921</b>	<b>29.4</b>	<b>15,263</b>	<b>6.1</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	1,268	4.5	1,012	4.1	251	8.1	5	2.6
Moderate-income	5,194	18.6	4,534	18.4	642	20.8	18	9.2
Middle-income	10,766	38.5	9,518	38.6	1,175	38.0	73	37.2
Upper-income	10,712	38.3	9,591	38.9	1,021	33.1	100	51.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>27,940</b>	<b>100.0</b>	<b>24,655</b>	<b>100.0</b>	<b>3,089</b>	<b>100.0</b>	<b>196</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.2</b>		<b>11.1</b>		<b>0.7</b>
	<b>Total Farms by Tract</b>	<b>Farms 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	3	0.8	3	0.8	0	0.0	0	0.0
Moderate-income	20	5.2	14	3.9	6	27.3	0	0.0
Middle-income	202	52.6	188	51.9	14	63.6	0	0.0
Upper-income	159	41.4	157	43.4	2	9.1	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>384</b>	<b>100.0</b>	<b>362</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>			<b>94.3</b>		<b>5.7</b>		<b>0.0</b>
2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS GRAND RAPIDS-KENTWOOD, MICHIGAN MSA #24340**

**LENDING TEST**

FCB’s lending performance in the area is consistent with the bank’s lending performance overall.

**Geographic Distribution of Loans**

The following table presents the 2021 geographic distribution of small business loans for the assessment area.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2021 Grand Rapids-Kentwood, MI MSA 24340</b>						
	<b>Tract Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				
		<b>Count Bank</b>		<b>2021 Dollar Bank</b>		<b>Total Businesses</b>
		<b>#</b>	<b>%</b>	<b>\$ 000s</b>	<b>\$ %</b>	<b>%</b>
<b>Small Business</b>	Low	1	12.5	300	12.4	4.5
	Moderate	3	37.5	519	21.5	18.6
	Middle	4	50.0	1,592	66.0	38.5
	Upper	0	0.0	0	0.0	38.3
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>8</b>	<b>100.0</b>	<b>2,411</b>	<b>100.0</b>	<b>100.0</b>
2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

**Lending to Businesses of Different Sizes**

The following table presents the 2021 borrower distribution of small business loans in the assessment area.

Small Business Lending By Revenue & Loan Size							
Assessment Area: 2021 Grand Rapids-Kentwood, MI MSA 24340							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Businesses	
Revenue	Loan Size	Bank		Bank			%
		#	%	\$ 000s	\$ %		
Small Business	Revenue	\$1 Million or Less	4	50.0	1,388	57.6	88.2
		Over \$1 Million	4	50.0	1,024	42.5	11.1
		Unknown	0	0.0	0	0.0	0.7
		<b>Total</b>	<b>8</b>	<b>100.0</b>	<b>2,411</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	2	25.0	108	4.5	
		\$100,001 - \$250,000	1	12.5	150	6.2	
		\$250,001 - \$1 Million	5	62.5	2,154	89.3	
		<b>Total</b>	<b>8</b>	<b>100.0</b>	<b>2,412</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	2	50.0	108	7.8	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$1 Million	2	50.0	1,280	92.2	
		<b>Total</b>	<b>4</b>	<b>100.0</b>	<b>1,388</b>	<b>100.0</b>	
Originations & Purchases							
2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS							
Note: Percentages may not add to 100.0 percent due to rounding							

## **WARREN-TROY-FARMINGTON HILLS, MICHIGAN MD #47664 – LIMITED REVIEW**

### **SCOPE OF EXAMINATION**

The scope for this assessment area is consistent with the scope represented in the overall section of the Performance Evaluation.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN WARREN-TROY-FARMINGTON HILLS, MICHIGAN MD #47664**

The Warren-Troy-Farmington Hills, Michigan MD #47664 assessment area is comprised of Oakland County in its entirety. Oakland County consists of 338 census tracts, which includes 23 low-, 55 moderate-, 113 middle-, 146 upper-, and one unknown-income level census tract which contains a correctional facility. Since the previous examination, the bank opened a new branch, with no ATM, in an upper-income census tract in February 2020, thus allowing them to enter the Warren-Troy-Farmington Hills, Michigan MD #47664. There have been no changes to the assessment area.

The June 30, 2021, FDIC Deposit Market Share Report ranks FCB 27<sup>th</sup> of 29 FDIC-insured depository institutions operating in the bank's assessment area with a market share of 0.0 percent. Leaders in market share include Bank of America (24.5 percent), Flagstar Bank (15.2 percent), and JPMorgan Chase Bank (14.4 percent). The 28 banks competing for deposits and loans with First Community Bank have 313 offices in the assessment area.

The 2021 assessment area demographics are provided in the following table.

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	23	6.8	17,114	5.3	5,900	34.5	59,781	18.6
Moderate-income	55	16.3	44,985	14.0	6,570	14.6	48,732	15.1
Middle-income	113	33.4	107,187	33.3	6,271	5.9	60,739	18.8
Upper-income	146	43.2	152,947	47.5	5,232	3.4	152,981	47.5
Unknown-income	1	0.3	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>338</b>	<b>100.0</b>	<b>322,233</b>	<b>100.0</b>	<b>23,973</b>	<b>7.4</b>	<b>322,233</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	37,925	10,722	3.1	28.3	21,521	56.7	5,682	15.0
Moderate-income	90,387	42,446	12.2	47.0	39,602	43.8	8,339	9.2
Middle-income	183,085	120,598	34.7	65.9	49,876	27.2	12,611	6.9
Upper-income	220,212	173,935	50.0	79.0	34,789	15.8	11,488	5.2
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>531,609</b>	<b>347,701</b>	<b>100.0</b>	<b>65.4</b>	<b>145,788</b>	<b>27.4</b>	<b>38,120</b>	<b>7.2</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	4,042	5.1	3,285	4.6	728	9.6	29	4.8
Moderate-income	13,526	17.1	11,500	16.2	1,925	25.4	101	16.6
Middle-income	22,655	28.6	20,819	29.3	1,697	22.3	139	22.9
Upper-income	39,039	49.3	35,457	49.9	3,243	42.7	339	55.8
Unknown-income	1	0.0	1	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>79,263</b>	<b>100.0</b>	<b>71,062</b>	<b>100.0</b>	<b>7,593</b>	<b>100.0</b>	<b>608</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>89.7</b>		<b>9.6</b>		<b>0.8</b>
	<b>Total Farms by Tract</b>	<b>Farms 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	9	2.5	9	2.5	0	0.0	0	0.0
Moderate-income	44	12.2	43	12.2	1	14.3	0	0.0
Middle-income	128	35.6	126	35.7	2	28.6	0	0.0
Upper-income	179	49.7	175	49.6	4	57.1	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>360</b>	<b>100.0</b>	<b>353</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>			<b>98.1</b>		<b>1.9</b>		<b>0.0</b>
2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS								
Note: Percentages may not add to 100.0 percent due to rounding								

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS WARREN-TROY-FARMINGTON HILLS MI MD #47664**

**LENDING TEST**

FCB’s lending performance in the area is consistent with the bank’s lending performance overall.

**Geographic Distribution of Loans**

The following table presents the 2021 geographic distribution of small business loans for the assessment area.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2021 Warren-Troy-Farmington Hills, MI MD 47664</b>						
	<b>Tract Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				
		<b>Count Bank</b>		<b>Dollar Bank</b>		<b>Total Businesses</b>
		<b>#</b>	<b>%</b>	<b>\$ 000s</b>	<b>\$ %</b>	<b>%</b>
<b>Small Business</b>	Low	0	0.0	0	0.0	5.1
	Moderate	0	0.0	0	0.0	17.1
	Middle	3	60.0	1,260	97.7	28.6
	Upper	2	40.0	30	2.3	49.3
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>1,290</b>	<b>100.0</b>	<b>100.0</b>
2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

**Lending to Businesses of Different Sizes**

The following table presents the 2021 borrower distribution of small business loans in the assessment area.



<b>Small Business Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2021 Warren-Troy-Farmington Hills, MI MD 47664</b>							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Businesses %	
Revenue	Loan Size	Count	Dollar	Bank			
		#	%	\$ 000s	\$ %		
Small Business	\$1 Million or Less	4	80.0	1,230	95.3	89.7	
		Over \$1 Million	1	20.0	60	4.7	9.6
		Unknown	0	0.0	0	0.0	0.8
		<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>1,290</b>	<b>100.0</b>	<b>100.0</b>
	\$100,000 or Less	3	60.0	90	7.0		
		\$100,001 - \$250,000	0	0.0	0		0.0
		\$250,001 - \$1 Million	2	40.0	1,200		93.0
		<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>1,290</b>		<b>100.0</b>
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	2	50.0	30	2.4	
		\$100,001 - \$250,000	0	0.0	0	0.0	
		\$250,001 - \$1 Million	2	50.0	1,200	97.6	
		<b>Total</b>	<b>4</b>	<b>100.0</b>	<b>1,230</b>	<b>100.0</b>	
Originations & Purchases							
2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

## WESTERN MICHIGAN NON-MSA – LIMITED REVIEW

### SCOPE OF EXAMINATION

The scope for this assessment area is consistent with the scope represented in the overall section of the Performance Evaluation.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN WESTERN MICHIGAN NON-MSA

The Western Michigan Non-MSA assessment area is comprised of Grand Traverse, Benzie, and Leelanau Counties in their entireties. The assessment area is comprised of 30 census tracts, which includes one moderate-, 13 middle-, 13 upper-, and three unknown-income level census tracts. According to Census Tract Maps, the two unknown-income census tracts are large bodies of water. The bank maintains one branch in a middle-income census tract with no ATM.

The June 30, 2021, FDIC Deposit Market Share Report ranks FCB 10<sup>th</sup> of 11 FDIC-insured depository institutions operating in the bank's assessment area with a market share of 1.3 percent. Leaders in market share include The Huntington National Bank (38.9 percent), Fifth Third Bank (18.3 percent), and JPMorgan Chase Bank (14.1 percent). The 10 banks competing for deposits and loans with FCB have 44 offices in the assessment area.

The 2021 assessment area demographics are provided in the following table.

Assessment Area: 2021 Western MI Non MSA								
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	4,361	12.9
Moderate-income	1	3.3	1,615	4.8	341	21.1	4,972	14.7
Middle-income	13	43.3	15,791	46.8	1,140	7.2	7,255	21.5
Upper-income	13	43.3	16,337	48.4	728	4.5	17,155	50.8
Unknown-income	3	10.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>30</b>	<b>100.0</b>	<b>33,743</b>	<b>100.0</b>	<b>2,209</b>	<b>6.5</b>	<b>33,743</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	3,951	1,506	3.7	38.1	2,106	53.3	339	8.6
Middle-income	33,076	19,268	47.3	58.3	4,701	14.2	9,107	27.5
Upper-income	32,507	19,978	49.0	61.5	3,982	12.2	8,547	26.3
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>69,534</b>	<b>40,752</b>	<b>100.0</b>	<b>58.6</b>	<b>10,789</b>	<b>15.5</b>	<b>17,993</b>	<b>25.9</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	776	8.6	680	8.2	93	13.8	3	3.6
Middle-income	4,607	51.0	4,173	50.5	387	57.2	47	56.0
Upper-income	3,648	40.4	3,418	41.3	196	29.0	34	40.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>9,031</b>	<b>100.0</b>	<b>8,271</b>	<b>100.0</b>	<b>676</b>	<b>100.0</b>	<b>84</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>91.6</b>		<b>7.5</b>		<b>0.9</b>
	<b>Total Farms by Tract</b>	<b>Farms 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	0.3	1	0.3	0	0.0	0	0.0
Middle-income	166	49.1	165	49.8	1	14.3	0	0.0
Upper-income	171	50.6	165	49.8	6	85.7	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>338</b>	<b>100.0</b>	<b>331</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
	<b>Percentage of Total Farms:</b>			<b>97.9</b>		<b>2.1</b>		<b>0.0</b>

2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS

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

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS WESTERN MI NON-MSA**

**LENDING TEST**

FCB’s lending performance in the area is consistent with the bank’s lending performance overall.

**Geographic Distribution of Loans**

The following table presents the 2021 geographic distribution of small business loans for the assessment area.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: 2021 Western MI Non MSA</b>						
	<b>Tract Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				
				<b>2021</b>		<b>Total Businesses</b>
		<b>Count Bank</b>		<b>Dollar Bank</b>		
		<b>#</b>	<b>%</b>	<b>\$ 000s</b>	<b>\$ %</b>	<b>%</b>
<b>Small Business</b>	Low	0	0.0	0	0.0	0.0
	Moderate	0	0.0	0	0.0	8.6
	Middle	8	53.3	1,394	43.8	51.0
	Upper	7	46.7	1,786	56.2	40.4
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>		<b>15</b>	<b>100.0</b>	<b>3,180</b>	<b>100.0</b>

2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

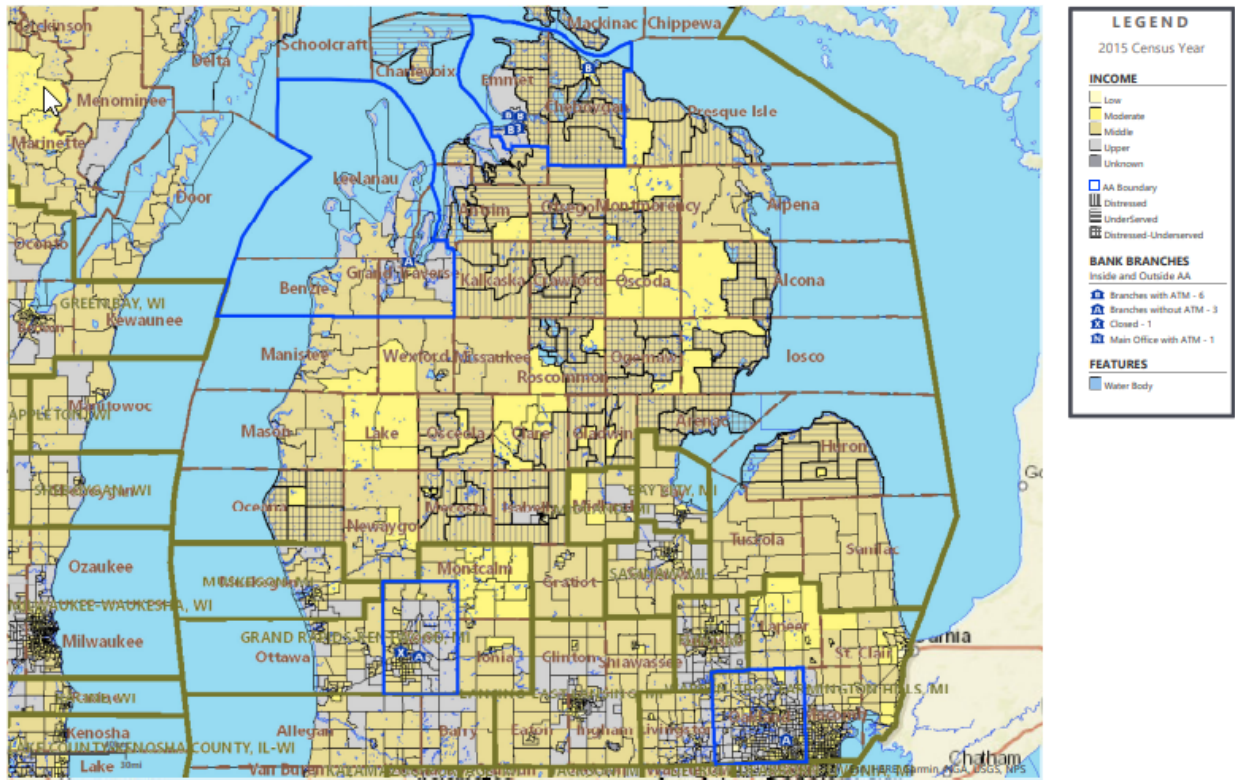
**Lending to Businesses of Different Sizes**

The following table presents the 2021 borrower distribution of small business loans in the assessment area.

<b>Small Business Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2021 Western MI Non MSA</b>							
Product Type		Bank & Demographic Comparison					
		2021		2021		Total Businesses	
Revenue	Loan Size	Count	Dollar				%
		Bank	Bank	\$ 000s	\$ %		
		#	%			%	
Small Business	Revenue	\$1 Million or Less	12	80.0	2,503	78.7	91.6
		Over \$1 Million	3	20.0	677	21.3	7.5
		Unknown	0	0.0	0	0.0	0.9
		<b>Total</b>	<b>15</b>	<b>100.0</b>	<b>3,180</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	7	46.7	385	12.1	
		\$100,001 - \$250,000	3	20.0	487	15.3	
		\$250,001 - \$1 Million	5	33.3	2,308	72.6	
		<b>Total</b>	<b>15</b>	<b>100.0</b>	<b>3,180</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	6	50.0	285	11.4	
		\$100,001 - \$250,000	2	16.7	290	11.6	
		\$250,001 - \$1 Million	4	33.3	1,928	77.0	
		<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>2,503</b>	<b>100.0</b>	
Originations & Purchases							
2021 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS							
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>							

### APPENDIX A – Map of Assessment Areas

First Community Bank 932745  
 Combined AA



**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>		Small Business Lending April 1, 2021-September 30, 2021 Loan-to-Deposit Ratio June 30, 2017 – September 30, 2021	
<b>FINANCIAL INSTITUTION</b>			<b>PRODUCTS REVIEWED</b>
First Community Bank			Small Business Loans – April 1, 2021 – September 30, 2021
<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			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Northern Michigan Non-MSA	Full Review	N/A	N/A
Grand Rapids-Kentwood, MI MSA #24340	Limited Review	N/A	N/A
Warren-Troy-Farmington Hills, MI MD #47664	Limited Review	N/A	N/A
Western Michigan Non-MSA	Limited Review	N/A	N/A

## APPENDIX C – 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.<sup>1</sup>

**Area Median Income (AMI):** AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located 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

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<sup>1</sup> Source: FFIEC press release dated October 19, 2011.



uninsured state branch (other than a limited branch) of a foreign bank described in section 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 non metropolitan 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, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement 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).