


PUBLIC DISCLOSURE

March 25, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MIDWEST GUARANTY BANK 

RSSD Number: 1356683

201 West Beaver Rd. 
Troy, Michigan 48007-7091

FEDERAL RESERVE BANK
OF CHICAGO

230 South LaSalle
Chicago, Illinois 60604

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.

TABLE OF CONTENTS

Institution's CRA Rating	1
Description of Institution	1
Description of the Assessment Area	3
Conclusions with Respect to Performance Criteria	5
Loan-To-Deposit Ratio	6
Lending in the Assessment Area.....	6
Lending To Borrowers of Different Incomes and Business of Different Sizes	7
Geographic Distribution of Loans	10
Response to Complaints.....	10

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 **Midwest Guaranty Bank, Troy, Michigan** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **March 25, 2002**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

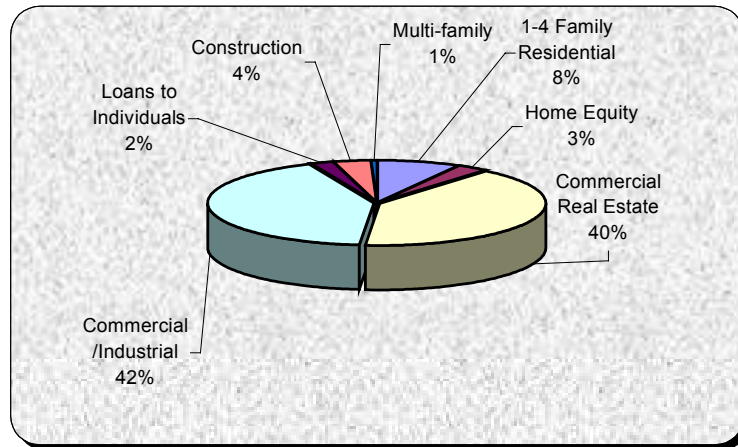
INSTITUTION'S RATING: This institution is rated Satisfactory.

The bank promotes economic revitalization and growth consistent with its size, financial capacity, location, and current economic conditions of the assessment area. The satisfactory performance of the bank is evidenced by a high loan-to-deposit ratio, as well as an adequate level of lending within the assessment area. The bank's geographic distribution of loans and level of lending to borrowers of different incomes and to businesses of different sizes meets the standards for satisfactory performance. The bank enhances credit availability through the origination of SBA loans. There were no complaints received by the institution regarding its CRA performance since the previous examination.

DESCRIPTION OF INSTITUTION

Midwest Guaranty Bank, a commercial lending institution with total assets of \$167.8 million as of December 31, 2001, is a subsidiary of Midwest Guaranty Banking Corporation, a \$160.6 million bank holding company. The bank operates a main office in Troy, four branches in Oakland County, one branch in Wayne County, and seven Automated Teller Machines. The bank has two subsidiaries, Midwest Guaranty Financial Services and Midwest Guaranty Mortgage Company. No applications for branch openings are pending.

Although the bank offers a variety of loan and deposit products to consumers and businesses, the bank's primary focus is small and medium size business lending. As of December 31, 2001, commercial/industrial loans comprise the largest percentage, 42.0%, of the loan portfolio of Midwest Guaranty Bank. Loans secured by commercial real estate comprise 40.0%, and 1-4 family residential real estate loans account for 8.0%. The percentage of portfolio by product is depicted in the following chart.



Competition for deposit and credit services is provided by branches of large financial institutions as well as by local banks. The following chart depicts the major institutions and the corresponding number of branches located in Oakland and Wayne Counties (FDIC June 30, 2001 data):

Institution Name	Number of Offices	Institution Name	Number of Offices
Comerica	126	Fifth Third	32
Bank One, Michigan	109	Flagstar Bank, FSB	13
Michigan National Bank	85	Republic Bank	12
National City Bank of MI/IL	89	Huntington National Bank	11
Standard Federal	72	Oxford Bank	6
Charter One Bank	62	Franklin Bank, N.A.	5

The deposit market share of Midwest Guaranty Bank in Oakland and Wayne Counties is illustrated in the following chart (FDIC June 30, 2001 data):

Market Share (by county)					
County	Total # of Banks	Deposits		Banking Offices	
		Market Share %	Rank	Market Total	Bank Total
Oakland	29	0.48%	21	355	5
Wayne	29	0.11%	18	379	1

DESCRIPTION OF ASSESSMENT AREA

The bank has defined three assessment areas for evaluation under the Community Reinvestment Act. These three assessment areas will be referred to as Oakland County, Wayne County, and State of Michigan throughout the remainder of this public evaluation. A description of each assessment area is as follows:

Oakland County

The Oakland County assessment area contains 44 census tracts located in the Detroit Metropolitan Statistical Area (MSA 2160). One of the census tracts is defined as middle-income and 43 as upper-income.

According to 1990 United States Census data, the population of the assessment area is 174,895. The median family income for the assessment area is \$84,410. Low-income families represent 3.6%, moderate-income families represent 5.9%, middle-income families represent 11.8%, and upper-income families represent 78.7% of the assessment area's population.

According to the census data, the housing stock of the assessment area is 80.6% owner occupied, 21.5% rental, and 6.1% vacant. The housing stock consists of 83.1% one-to-four family units and 16.2% five or more family units. Within the assessment area, the median housing age is 21 years, and the median housing value is \$219,175.

According to the Office of Labor Market Information, the 2001 annual unemployment rate of Oakland County is 3.6 percent. The unemployment rate for the state of Michigan during the same time period is 5.0 percent. The major employers within Oakland County are depicted in the following chart.

Employer	Product/Service	Number of Employees
General Motors Corp.	Automotive Assembly	12,600
William Beaumont Hospital	Health Care	10,000
DaimlerChrysler	Automotive Engineering	7,000
Ford Motor Corp.	Automobile Assembly	3,700

Wayne County

The Wayne County assessment area contains 32 census tracts located in the Detroit Metropolitan Statistical Area (MSA 2160). Nine of the census tracts are defined as middle-income and 23 as upper-income.

According to 1990 United States Census data, the population of the assessment area is 100,850. The median family income for the assessment area is \$53,962. Low-income families represent 3.6%, moderate-income families represent 5.9%, middle-income families represent 11.8%, and upper-income families represent 78.7% of the assessment area's population.

According to the census data, the housing stock of the assessment area is 80.6% owner occupied, 21.5% rental, and 6.1% vacant. The housing stock consists of 83.1% one-to-four family units and 16.2% five or more family units. Within the assessment area, the median housing age is 21 years, and the median housing value is \$219,175.

According to the Office of Labor Market Information, the 2001 annual unemployment rate of Wayne County is 5.5%, compared to the 5.0% unemployment rate for the state of Michigan during the same time period. The major employers within Wayne County are depicted in the following chart.

Employer	Product/Service	Number of Employees
General Motors Corp.	Automotive Assembly	12,600
William Beaumont Hospital	Health Care	10,000
DaimlerChrysler	Automotive Engineering	7,000
Ford Motor Corp.	Automobile Assembly	3,700

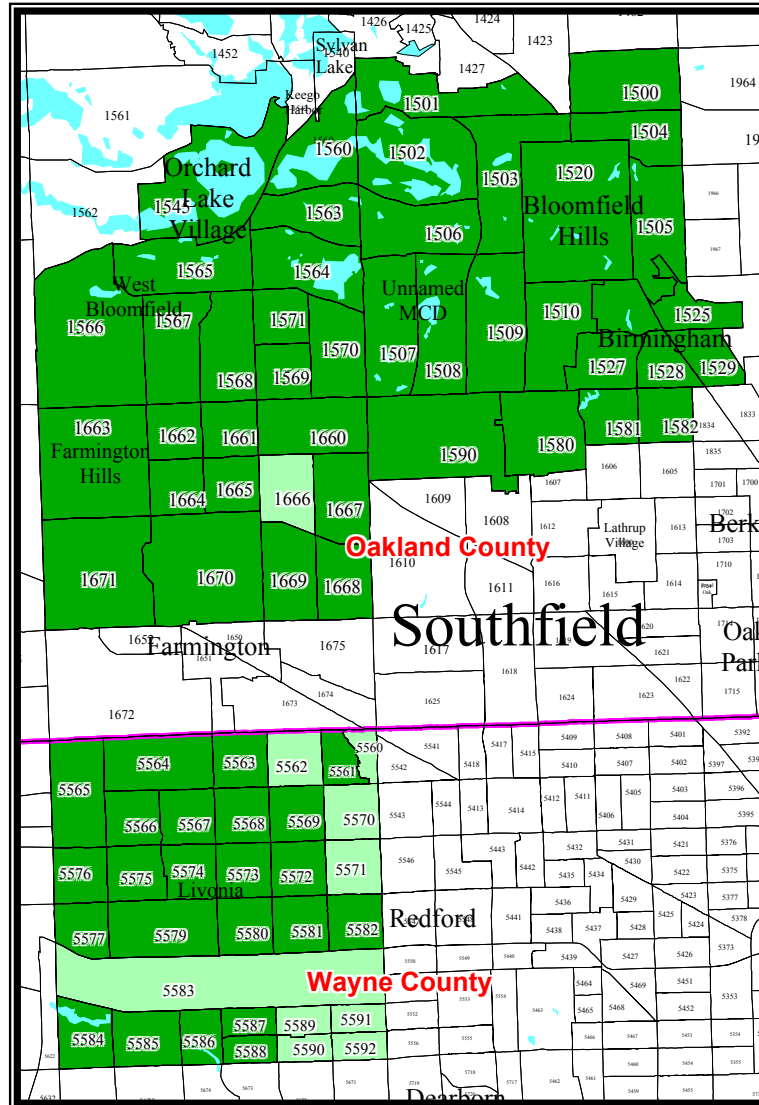
State of Michigan

The overall assessment area contains 76 census tracts located in the Detroit Metropolitan Statistical Area (MSA 2160). None of the census tracts are defined as low- or moderate-income.

According to 1990 United States Census data, the population of the assessment area is 275,745. The median family income for the assessment area is \$73,313. Low-income families represent 4.9%, moderate-income families represent 8.3%, middle-income families represent 15.8%, and upper-income families represent 71.0% of the assessment area's population.

The 2001 HUD-adjusted median family income for the Detroit MSA is \$66,500 and \$61,800 for metropolitan Michigan. According to the census data, the housing stock of the assessment area is 83.4% owner occupied, 18.2% rental, and 4.7% vacant. The housing stock consists of 76.1% one-to-four family units and 14.2% five or more family units. Within the assessment area, the median housing age is 22 years, and the median housing value is \$187,333.

The shaded areas on the following map identify the CRA assessment area of Midwest Guaranty Bank. Darker shading indicates upper-income census tracts. Lighter shading indicates bodies of water in the northern portion of Oakland County and it indicates middle-income census tracts elsewhere within the assessment area.

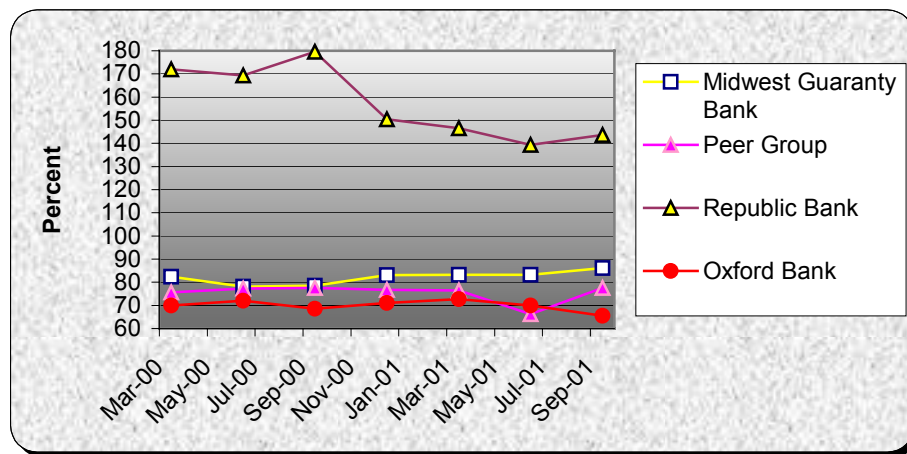


CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The institution is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

LOAN-TO-DEPOSIT RATIO

A review of the bank’s Consolidated Reports of Condition, dated from March 31, 2000 to December 31, 2001 revealed an eight-quarter average loan-to-deposit (LTD) ratio of 82.46 percent. A comparison was made with a national peer group consisting of all banks having assets between \$100 million and \$300 million and with three or more banking offices located in a metropolitan area. The comparison revealed an average LTD of 75.57% for the national peer group. An additional comparison was made with Republic Bank and Oxford Bank, independent banks located in the assessment area. The comparison revealed an average LTD of 156.46% for Republic Bank and 69.47% for Oxford Bank during the same time period.



The preceding chart depicts the loan-to-deposit ratios of the bank, the national peer group, and two local competitors. As of the most recent Consolidated Report of Condition (December 31, 2001), Midwest Guaranty Bank had a loan-to-deposit ratio of 85.06 percent and an eight-quarter average of 82.45 percent. The ratio has consistently remained above both Oxford Bank’s and the peer group average. Given the asset size and local competition of the bank, as well as the LTD ratios of the peer group and local competitors, the loan-to-deposit ratio of Midwest Guaranty Bank meets the standards for satisfactory performance.

LENDING IN ASSESSMENT AREA

A sample of commercial and automobile loans originated by the bank were reviewed to analyze the bank’s lending performance within the assessment area. The sample included 132 commercial loans and all 40 automobile loans originated between January 1, 2001 and December 31, 2001. The following table represents the percentage of loans

originated within the assessment area, by number of loans and dollar amount.

Loan Product	Loans Originated Inside Assessment Area		Loans Originated Outside Assessment Area	
	Dollar Amount	Number of Loans	Dollar Amount	Number of Loans
Commercial	39.6%	42.4%	60.4%	57.6%
Automobile	38.4%	27.5%	61.6%	72.5%

As shown in the preceding table, 39.6% of the \$33 million in commercial loans and 38.4% of the \$680,000 in automobile loans were originated in the assessment area. The bank originated a substantial majority of loans outside of the assessment area and, therefore, does not meet the standards for satisfactory performance.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

State of Michigan Assessment Area

Although the bank's mortgage lending activities are minimal, management is committed to meet local community housing needs, particularly for low- and moderate-income borrowers. Accordingly, the bank extended a \$240,000 community development loan to finance a community of homes devoted to the residential care of developmentally challenged adults. Management's efforts to compensate for its limited mortgage lending activities and service the credit needs of low- and moderate-income borrowers is positively regarded.

Of the 56 commercial loans in the sample and originated in the assessment area, 35 were to businesses with revenues of less than \$1 million. These loans, along with the automobile loans included in the sample and originated within the assessment area, were analyzed to determine the level of lending to borrowers of different incomes and to businesses and farms of different sizes. The distribution of commercial loans is as follows:

Commercial Lending Distribution							
Loan Origination Amount (in 000s)						TOTAL	
< \$100		> \$100 >= \$250		> \$250 <= \$1,000			
#	%	#	%	#	%	#	%
17	48.6%	6	17.1%	12	34.3%	35	100%

As depicted in the preceding chart, 48.6% of small business loans were in amounts of less than \$100,000. The level of lending to small businesses within the assessment area demonstrates good responsiveness to credit needs.

Augmenting the bank's performance under this category is the number and dollar amount of SBA loans originated under the Low Doc and 504 Program. Three loans totaling \$1,729,000 have been originated since the prior CRA examination.

Of the 40 automobile loans included in the sample, a total of eleven loans were originated within the assessment area. The distribution of automobile loans originated by the bank and included in the sample is as follows.

Lending Within the Assessment Area by Income Level of Borrower					
Income Designation of Borrower	Percent of Families	Number of Loans	Percent of Total	Dollar Amount of Loans	Percent of Total
Low-Income	4.8%	1	9.1%	\$3,840	1.5%
Moderate-Income	8.3%	3	27.3%	\$41,126	15.9%
Middle-Income	15.8%	2	18.2%	\$55,040	21.3%
Upper-Income	71.0%	5	45.5%	\$158,665	61.3%
Income Not Available	N/A	0	0%	\$0	0%
TOTAL	100%	11	100%	\$258,671	100%

Low- and moderate-income (LMI) families comprise 13.1% of all families in the assessment area and 1.2% of families have an income below the poverty level. Of the total number of loans, 36.4% were originated to LMI borrowers.

The bank has an excellent level of lending to borrowers of different income levels and to businesses of different sizes. The bank's lending more than reflects the demographics of the assessment area and thereby exceeds the standards for satisfactory performance under this criterion.

Oakland County Assessment Area

Of the 50 commercial loans in the sample and originated in the Oakland County assessment area, 29 were to businesses with revenues of less than \$1 million. These loans, along with the automobile loans included in the sample and originated within the assessment area, were analyzed to determine the level of lending to borrowers of different incomes and to businesses and farms of different sizes. The distribution of commercial loans is as follows:

Commercial Lending Distribution							
Loan Origination Amount (in 000s)						TOTAL	
< \$100		> \$100 >= \$250		> \$250 <= \$1,000			
#	%	#	%	#	%	#	%
14	48.3%	6	20.7%	9	31.0%	29	100%

As depicted in the preceding chart, 48.3% of small business loans were in amounts of less than \$100,000. The level of lending to small businesses within the assessment area

demonstrates good responsiveness to credit needs.

Of the 40 automobile loans included in the sample, a total of nine loans were originated within the Oakland County assessment area. The distribution of automobile loans originated by the bank and included in the sample is as follows.

Lending Within the Assessment Area by Income Level of Borrower					
Income Designation of Borrower	Percent of Families	Number of Loans	Percent of Total	Dollar Amount of Loans	Percent of Total
Low-Income	3.6%	1	11.1%	\$3,840	1.5%
Moderate-Income	5.9%	3	33.3%	\$41,126	16.5%
Middle-Income	11.8%	2	22.3%	\$55,040	22.1%
Upper-Income	78.7%	3	33.3%	\$149,625	59.9%
Income Not Available	N/A	0	0%	\$0	0%
TOTAL	100%	9	100%	\$249,631	100%

Low- and moderate-income (LMI) families comprise 9.5% of all families in the assessment area and 2.2% of families have an income below the poverty level. Of the total number of loans, 44.4% were originated to LMI borrowers.

Wayne County Assessment Area

Of the six commercial loans in the sample and originated in the Wayne County assessment area, all were to businesses with revenues of less than \$1 million. These loans, along with the automobile loans included in the sample and originated within the assessment area, were analyzed to determine the level of lending to borrowers of different incomes and to businesses and farms of different sizes. The distribution of commercial loans is as follows:

Commercial Lending Distribution							
Loan Origination Amount (in 000s)						TOTAL	
< \$100		> \$100 > \$250		> \$250 < \$1,000			
#	%	#	%	#	%	#	%
3	50.0%	0	0.0%	3	50.0%	9	100%

As depicted in the preceding chart, 50.0% of small business loans were in amounts of less than \$100,000. The level of lending to small businesses within the Wayne County assessment area demonstrates good responsiveness to credit needs.

Of the 40 automobile loans included in the sample, a total of two loans were originated within the assessment area. Both loans were originated to upper-income borrowers, with amounts totaling \$11,497.

GEOGRAPHIC DISTRIBUTION OF LOANS

There are no low- and moderate-income geographies located in the assessment area. A

review of the assessment area indicated that Midwest Guaranty Bank does not arbitrarily exclude low- or moderate-income areas.

A limited analysis of the distribution of loans revealed that loans were reasonably dispersed throughout the bank's assessment area.

RESPONSE TO COMPLAINTS

No CRA-related complaints have been received by Midwest Guaranty Bank or the Federal Reserve Bank of Chicago since the previous examination.