

# **PUBLIC DISCLOSURE**

December 11, 2006

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Paramount Bank  
RSSD# 2636083

31000 North Highway, Suite 200  
Farmington Hills, MI 48334

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, IL 60604-1413

**NOTE:**

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. 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.

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**INSTITUTION'S COMMUNITY REINVESTMENT ACT (CRA) RATING:** This institution's performance is rated **Satisfactory**.

Paramount Bank (the bank) promotes economic growth in a manner consistent with its asset size, location, and current assessment area economic conditions. The bank's efforts are accomplished primarily through the origination of commercial, real estate, and consumer loans. The bank's loan-to-deposit ratio (LTD) exceeds that of its peer group, local competitors of comparable asset size, and other similarly situated institutions in Michigan. During the two most recent calendar years, the majority of the bank's residential real estate loans were originated in its assessment area. The bank's level of lending within its assessment area is considered reasonable. The bank's record of residential real estate lending to consumers of different income levels and commercial lending to small businesses is also considered reasonable.

There were no CRA-related complaints received by the institution or this Reserve Bank regarding the institution's CRA performance since the previous evaluation.

The institution was rated **Satisfactory** under the CRA at its previous evaluation conducted on December 9, 2002.

#### **SCOPE OF EXAMINATION**

The bank's CRA performance was evaluated in the context of information specific to the institution's asset size, financial condition, competition, and its assessment area relative to economic and demographic characteristics. Samples of 1-4 family residential real estate, commercial, and consumer loans were reviewed to determine performance within the designated assessment area. Residential real estate loans were reviewed utilizing 2004 and 2005 Home Mortgage Disclosure Act (HMDA) data. Commercial and consumer loans originated between July 1, 2005 and June 30, 2006 were also reviewed. Paramount Bank was evaluated using *Small Bank CRA Procedures* based on the following performance standards:

- ***Loan-to-Deposit Ratio***– to determine the percentage of loans originated in the assessment areas
- ***Lending in the Assessment Area*** – to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – to evaluate the extent to which the bank is making loans in all geographies within the assessment area.
- ***Lending to Borrowers of Different Incomes and to Businesses and Farms of Different Sizes*** – A sample of residential real estate, commercial, and consumer loans was analyzed to assess the loan distribution among borrowers of different income levels and to businesses with different

revenue levels. The June 30, 2006 Consolidated Report of Condition and Income was utilized for the distribution of small farm and small business loans.

- **Complaints** - Neither Paramount Bank nor this Reserve Bank received any CRA-related complaints since the previous examination.

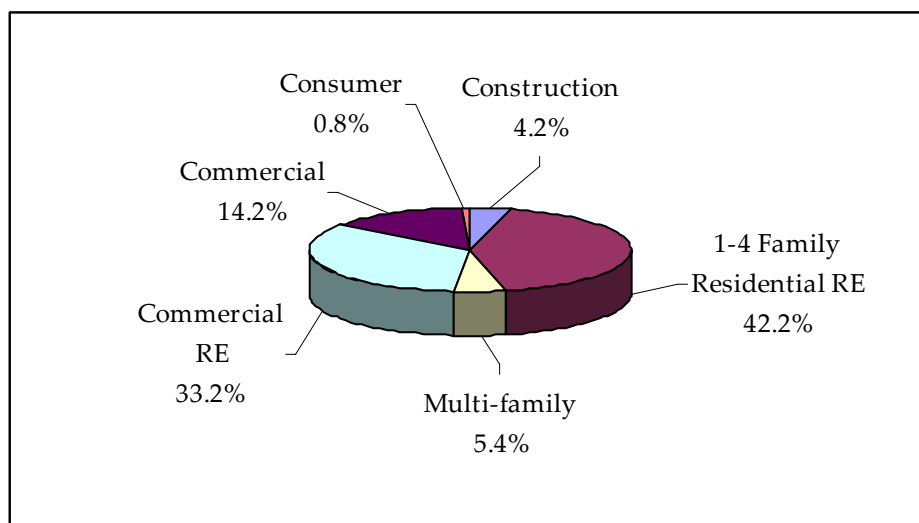
At the bank's request, community development loans, investment activity, and community development services were also reviewed to determine the degree to which Paramount Bank has tailored these products and services to meet the specific needs of the assessment area.

### DESCRIPTION OF INSTITUTION

Paramount Bank is owned by Paramount Bancorp, a one bank holding company located in Farmington Hills, Michigan. The bank's charter office is also located in Farmington Hills. Additional offices are located in Birmingham, Clinton Township, and Ferndale, Michigan. The branch in Clinton Township was opened on September 5, 2005. Each of the branches is located in either Macomb or Oakland Counties in Southeast Michigan. These counties are part of the Warren County-Troy Metropolitan Statistical Area (MSA). All of the branches have full-service ATMs operating 24-hours a day. Paramount Bank also participates in a network that offers customers free access to certain ATMs in southeast Michigan.

According to the September 30, 2006 Uniform Bank Performance Report, the bank reported total assets of \$258.9 million. The bank offers non-complex loan and deposit products, as well as affordable housing loan programs. As shown in Exhibit 1 below, the loan portfolio consists primarily of residential real estate loan products and commercial loans.

**Exhibit 1—Paramount Bank's Loan Portfolio as of 09/30/2006**



The bank's peer group includes all commercial banks with assets between \$100 million and \$300 million, located in a metropolitan area with 3 or more full service offices. The local competitors for loans and deposits include Peoples State Bank, Madison Heights; Michigan Heritage Bank, Farmington Hills; Clarkston State Bank, Clarkston; Republic Bank, Lansing; Macomb Community Bank, Clinton Township; and Lakeside Community Bank, Sterling.

According to the June 30, 2006 FDIC Deposit Market Share Report, Paramount Bank holds 0.4% of deposits in Macomb and Oakland Counties. The bank ranks 21st out of the 43 financial institutions located in these two counties.

There are no apparent factors relating to the bank's financial condition, size, products offered, prior performance, legal impediments, or local economic conditions that would prevent it from meeting the credit needs of the community.

## DESCRIPTION OF ASSESSMENT AREA

*An institution's assessment area(s) will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment area(s) must consist of one or more geographies defined by census tracts, which are statistical subdivisions of a county. 2000 U.S. Bureau of Census data is used in this evaluation, unless stated otherwise.*

Paramount Bank's assessment area, shown in Appendices B and C, includes Macomb and Oakland Counties in their entirety. The assessment area consists of the Southern portion of the Warren-Troy MSA (#47644). The entire assessment area consists of 543 census tracts that include 12 low-income, 108 moderate-income, 271 middle-income and 150 upper-income tracts. Income levels of three tracts were not reported.

## Population Changes

The assessment area has exhibited modest growth since the previous evaluation. The population of Paramount Bank's assessment area is depicted in Exhibit 2.

Exhibit 2		
Population Estimates		
County	September 30, 2005	September 30, 2000
Macomb	1,214,361	1,194,156
Oakland	829,453	788,149
<b>Totals</b>	<b>2,043,814</b>	<b>1,982,305</b>

Source: U.S. Census Bureau Population Estimates

## Income Characteristics

Exhibit 3 compares the income levels for the bank’s assessment area to the Warren-Troy MSA as well as to each county within the assessment area based on 2000 U.S. Census Bureau data. In contrast to the 2000 data, the 2006 HUD adjusted median family income for the Warren-Troy MSA is \$79,500.

Exhibit 3						
Distribution of Families by Income Level						
Location	Median Family Income(\$)	Percent of Families				
		Low	Moderate	Middle	Upper	Below Poverty Level
Assessment Area	69,299	17.7	17.9	23.5	41.0	3.9
Macomb County	62,816	20.1	20.6	25.7	33.6	4.0
Oakland County	75,540	16.0	16.1	22.0	46.0	3.8
Warren-Troy MSA	67,923	18.0	18.5	23.8	39.7	3.9

*Low-income is defined as less than 50% of median family income; moderate-income as 50% to less than 80% of median family income; middle-income as 80% to less than 120% of median family income; and upper-income as 120% or more of median family income.*

## Housing Characteristics and Affordability

Housing units in the assessment area total 812,282, of which 73.4% are owner-occupied, 22.7% are rental units, and 3.9% are vacant. The Warren-Troy MSA, by comparison, includes 971,040 housing units. The distribution of housing units by type is comparable to that of the bank’s assessment area with 74.1% owner-occupied, 21.4% rental units, and 4.4% vacant.

The median age of housing stock in the assessment area is 30 years. The median housing value is \$153,711, which is closely aligned with the median housing value of the entire Warren-Troy MSA, at \$153,130.

*Affordability ratios, developed by dividing the median household income by the median housing value for a given area or groups of geographies, are helpful in comparing costs for different areas. An area with a high ratio generally has more affordable housing than an area with a low ratio.*

The affordability ratios, expressed as percentages, for the assessment area and for the Warren-Troy MSA are 45.1 and 46.1 respectively, indicating that affordability of housing is comparable.

## Labor and Employment

According to Michigan Workforce Development, the unemployment rates within the counties that comprise the Warren-Troy MSA are lower than the state of Michigan unemployment rate. The unemployment rates in Macomb County and Oakland County were 6.7% and 5.0%, respectively, as of October 2006, compared to the state of Michigan unemployment rate of 6.9%. The major employers within the assessment area are depicted in Exhibit 4. The auto manufacturing industry and the healthcare industry rank highest in terms of the numbers of employees.

The restructuring of the auto industry in recent years has negatively impacted the local economy. The elimination of jobs and buyouts offered to both blue-collar and white collar workers have severely reduced the number of employees working within the auto manufacturing sector, a staple of the area's economy. The full effect of this restructuring has yet to manifest, as many of the severance arrangements are scheduled to take place during 2007 and 2008.

<b>Exhibit 4</b>			
<b>Major Employers in the Assessment Area</b>			
<b>Company</b>	<b>Location</b>	<b># of Employees</b>	<b>Description of Industry</b>
General Motors Corp.	Detroit	20,045	Automobile Manufacturer
William Beaumont Hospital	Royal Oak	11,745	Private Hospital
Chrysler Group	Auburn Hills	10,267	Automobile Manufacturer
Ford Motor Company	Macomb Co.	9,300	Automobile Manufacturer
EDS Corp.	Troy	7,300	Information technology
U.S. Government	Detroit	4,338	Federal Government
SBC Communications, Inc.	Detroit	4,000	Telecommunications
St. John Health System	Macomb Co.	3,500	Healthcare
St. Joseph Hospital	Macomb Co.	2,400	Healthcare
Trinity Health	Macomb Co.	2,150	Healthcare

Source: Michigan Workforce Development and the Michigan Industrial Directory

## Community Representatives

Information obtained through four community representatives was also considered as part of this evaluation. The individuals contacted represented affordable housing, economic, and business development agencies.

Overall, representatives commented that local financial institutions adequately meet the credit and service needs of the communities. One representative stated that while local financial institutions are active in providing financing to first-time home buyers, the banks in general could be more sensitive to the unique nature of low and moderate-income home buyers and the process of finding affordable housing. A majority of the representatives stated that local financial institutions, particularly larger ones, have a strong presence in the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

*Performance standards for small banks consist of the following, as applicable: the bank's LTD ratio, the percentage of loans located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state, demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.*

### Loan-to-Deposit Ratio (LTD)

*The bank's average LTD ratio, calculated from data contained in the Consolidated Reports of Condition, was evaluated giving consideration to its capacity to lend, competitor and peer loan-to-deposit ratios, as well as demographic factors, economic conditions and lending opportunities present in the assessment area.*

As shown in exhibits 5 and 6, the bank's LTD ratio relative to its peer group, a sample of competitors and other similarly situated institutions in Michigan, exceeds the standards for satisfactory performance under this criterion. The bank's average LTD ratio of 123.2% for the previous eight quarters is well above the peer group average of 82.1%. When compared with local area competitors of comparable asset size and similarly-situated institutions located in southeastern Michigan, the ratio is also favorable. The high loan to deposit ratio can be partially attributed to the level of bank staff involvement in, and resources allocated to, advertising affordable housing loan products across the entire market to attract new customers to the bank.

<b>Exhibit 5</b>			
<b>Paramount Bank</b>			
<b>Comparative Loan-to-Deposit Ratios</b>			
<b>Institution - Peer Group and Local Competitors</b>	<b>Total Assets at September 30, 2006 (000)</b>	<b>Loan-to-Deposit Ratio (%)</b>	
		<b>At September, 2006</b>	<b>Average for the Eight Quarters Ended September 30, 2006</b>
<b>Paramount Bank, Farmington Hills, MI,</b>	<b>\$258,900</b>	<b>125.1</b>	<b>123.2</b>
Peer Group	NA	83.4	82.1
Peoples State Bank, Madison Heights, MI	\$496,500	86.0	84.1
Michigan Heritage Bank, Farmington Hills, MI	\$176,100	93.0	93.7
Clarkston State Bank, Clarkston, MI	\$190,000	86.9	82.7
Republic Bank, Lansing, MI	\$6,186,000	155.2	150.2
Macomb Community Bank, Clinton Township, MI	\$104,500	97.6	117.9
Lakeside Community Bank, Sterling, MI	\$73,600	78.8	82.7



Exhibit 6 Paramount Bank Comparative Loan-to-Deposit Ratios			
Institution – Similarly Situated Institutions in Michigan	Total Assets at September 30, 2006 (000)	Loan-to-Deposit Ratio (%)	
		At September, 2006	Average for the Eight Quarters Ended September 30, 2006
Paramount Bank, Farmington Hills	\$258,900	125.1	123.2
Bank of Lenawee, Adrian	\$297,700	103.1	101.6
ChoiceOne Bank, Sparta	\$256,000	91.9	99.9
Lapeer City Bank and Trust Company, Lapeer	\$264,300	82.0	79.2
CSB Bank, Capac	\$86,900	86.9	82.3
Eastern Michigan Bank, Croswell	\$225,200	88.3	86.5
Tri-County Bank, Brown City	\$184,900	86.5	84.4
First Community Bank, Harbor Spring	\$187,500	104.9	105.0
Huron Community Bank, East Tawas	\$192,100	94.6	102.1
Chelsea State Bank, Chelsea	\$196,300	82.0	80.6

### Lending in the Assessment Area

To assess the extent of lending within the assessment area, the following were reviewed: commercial, consumer, and residential real estate loans. The sample period for each loan product was September 1, 2005 through August 31, 2006. Information from the performance context, such as economic conditions present within the assessment area, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.

Lending within the assessment area is reasonable. A majority of Paramount Bank loans are originated within the assessment area. The distribution of a sample of the bank's primary loan products, originated between September 1, 2005 and August 31, 2006, is illustrated in Exhibit 7.

Exhibit 7 Distribution of Loans in Assessment Area (AA)						
Loan Type	Number of Loans			Dollar of Loans		
	# in Sample	# in AA	% in AA	Total \$(000s) Volume	\$(000s) in AA	% in AA
Commercial	180	135	75.0	\$32,579	\$23,606	72.4
Consumer	27	22	81.5	\$851	\$715	84.0
Residential Real Estate	1,798	1,091	60.7	\$368,207	\$241,272	65.5
<b>Totals</b>	<b>2,005</b>	<b>1,248</b>	<b>62.2</b>	<b>\$401,637</b>	<b>265,593</b>	<b>66.1</b>

### Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

*The distribution of loans among borrowers of different income levels was determined by reviewing residential real estate loans originated between April 1, 2005 and March 31, 2006. The June 30, 2005 Consolidated Report of Condition was used to determine the distribution of loans to businesses and farms of different sizes. Information from the performance context, such as economic conditions present within the assessment area, demographics, loan demand, bank size, financial condition, branching network, and business strategies, were considered when evaluating the bank's performance.*

Given the demographics of the assessment area, the distribution of Paramount Bank's loans reflects a reasonable penetration among borrowers of different income and revenue levels, as supported by a review of HMDA-related loans and commercial loan data. Lending to borrowers of different income levels and to businesses of different sizes is reasonable.

#### **Residential Real Estate Loans**

Exhibits 8 and 9 show the distribution of 2004 and 2005 HMDA-related loans. The level of lending to low- and moderate-income borrowers is reasonable. The penetration of loans to low- and moderate-income borrowers increased between 2004 and 2005, which can be attributed to bank emphasis on loan products tailored specifically to the needs of first-time home buyers, as well as low- income borrowers. However, the number of loans made to low-income borrowers as a percentage of total loans is low when compared to area demographics and the aggregate of loans made by all lenders (aggregate) in the assessment area. Lending to moderate- income borrowers is consistent with area demographic data and slightly below aggregate performance. Competition for loans to these borrowers is strong due to the number of financial institutions within the assessment area.

<b>Exhibit 8</b>				
<b>Loan Distribution of 2004 HMDA- Related Loans by Income Level</b>				
<b>Income Level</b>	<b>Total Number of Loans</b>	<b>Percent of Total Loans</b>	<b>Percent of Families in Assessment Area</b>	<b>Aggregate Performance</b>
Low	41	6.5	17.6	10.5
Moderate	114	18.0	17.9	22.6
<i>Low and Moderate</i>	155	24.5	35.5	33.2
Middle	158	25.0	23.5	23.7
Upper	269	42.5	41.0	26.1
Unknown	51	8.1	0.0	17.1
Totals	633	100.0	100.0	100.0

<b>Exhibit 9</b>				
<b>Loan Distribution of 2005 HMDA- Related Loans by Income Level</b>				
<b>Income Level</b>	<b>Total Number of Loans</b>	<b>Percent of Total Loans</b>	<b>Percent of Families in Assessment Area</b>	<b>Aggregate Performance</b>
Low	34	7.4	17.6	10.9
Moderate	94	20.5	17.9	23.6
<i>Low and Moderate</i>	128	27.9	35.5	34.5
Middle	94	20.5	23.5	24.3
Upper	97	43.0	41.0	24.5
Unknown	39	8.5	0.0	16.7
Totals	458	100.0	100.0	100.0

### Loans to Small Businesses

Paramount Bank's assessment area and branch locations do not afford opportunities to originate agriculture-related loans and the bank's business strategy does not focus on this type of lending. Therefore, this section only discusses small business loans. The distribution of the bank's commercial loan portfolio reflects reasonable penetration of loans to small businesses.

The distribution, based on information from the Consolidated Report of Condition as of June 30, 2006, is shown in Exhibit 10.

<b>Exhibit 10</b>		
<b>Distribution of Small Business Loans</b>		
<b>Original Dollar Amount</b>	<b>Outstanding Number</b>	<b>Outstanding Dollar Amount (000's)</b>
<b>Loans Secured by Non-Farm Nonresidential Properties</b>		
Less than or equal to \$100,000	26	1,288
Greater than \$100,000 through \$250,000	61	8,878
Greater than \$250,000 through \$1 million	106	47,688
Total	193	57,854
<b>Commercial and Industrial Loans</b>		
Less than or equal to \$100,000	75	2,588
Greater than \$100,000 through \$250,000	60	7,610
Greater than \$250,000 through \$1 million	60	20,468
Total	195	30,666
<b>Loans Secured by Non-Farm Nonresidential Properties and Commercial and Industrial Loans</b>		
Grand totals	388	88,520

Exhibit 10 reflects small business loan originations in the \$100,000 or less category representing 26.0% of the number and 4.4% of the dollar amount of small business loans. Emphasis is placed on this loan category as small businesses typically seek loans in smaller amounts due to more limited capacity to repay and smaller credit needs. Small business loans represent a significant portion of the bank's overall commercial loan portfolio at 74.5%.

### Other Lending Related Activities

Paramount Bank participates in flexible lending programs such as Small Business Administration loans and various residential/rural loan programs. Exhibit 11 shows the loans originated under these programs since the previous evaluation.

Exhibit 11		
Other Lending Related Activities		
Government Subsidized Programs	Number	Original Dollar Amount
Small Business Association (SBA)	11	\$2,985,774
Federal Housing Administration (FHA)	174	\$23,283,903
Michigan State Housing Development Authority	3	\$53,090
Federal Home Loan Bank of Indianapolis	29	\$125,487
<b>Totals</b>	<b>217</b>	<b>\$26,448,254</b>

The bank also participates in flexible lending programs through the Small Business Association (SBA) and the Federal Housing Administration (FHA). The high level of activity through the FHA is reflective of the fact that the bank has been primarily a residential real estate lender. The bank participated in the Michigan State Housing Development Authority's Property Improvement Program, as well as the Homeownership Opportunity Program through the Federal Home Loan Bank of Indianapolis. Involvement in these programs significantly benefits low- and moderate-income borrowers, providing them the needed assistance in securing affordable housing. This involvement demonstrates the bank's commitment to address community credit needs identified within the community by affordable housing agencies.

### Geographic Distribution of Loans

*The distribution of lending among geographies of different income levels within the assessment area, particularly those areas defined as low- and moderate-income, was reviewed. To assess the bank's performance, the following loans were reviewed: commercial, consumer, and residential real estate. The sample period for each loan product was September 1, 2005 through August 31, 2006. Demographic characteristics of census tracts, such as housing types and income level, were considered in the evaluation.*

The assessment area is comprised of 543 census tracts. A review of the geographic distribution of lending within low- and moderate-income tracts reflects that loans are reasonably dispersed. Exhibit 12 illustrates the distribution of commercial and consumer lending within the assessment area between September 1, 2005 and August 31, 2006. Exhibits 13 and 14 illustrate the distribution of residential real estate lending during 2004 and 2005.

<b>Exhibit 12</b>								
<b>Geographic Distribution of Commercial and Consumer Loans</b>								
Census Tract	Assessment Area				Commercial		Consumer	
	Census Tracts*		Businesses by Tract		#	%	#	%
	#	%	#	%				
Low	12	2.2	1,905	2.2	1	0.8	0	0.0
Moderate	108	19.9	14,913	17.5	19	14.2	0	0.0
<i>Low and Moderate</i>	120	22.1	16,818	19.7	20	15.0	0	0.0
Middle	271	49.9	43,305	50.9	61	45.5	8	36.4
Upper	150	27.6	24,956	29.3	53	39.5	14	63.6
Unknown	2	0.4	82	0.1	0	0.0	0	0.0
<b>Total</b>	<b>543</b>	<b>100.0</b>	<b>85,161</b>	<b>100.0</b>	<b>134</b>	<b>100.0</b>	<b>22</b>	<b>100.0</b>

\*Based on 2000 U.S. Census Information

<b>Exhibit 13</b>								
<b>Geographic Distribution of 2004 HMDA-Reportable Loans</b>								
Census Tract Income Level	Assessment Area				Activity within the Assessment Area			
	Census Tracts		Owner-Occupied Units		Bank Loans		Aggregate Loans	
	#	%	#	%	#	%	#	%
Low	12	2.2	5,066	0.8	16	2.5	1,787	0.9
Moderate	108	19.9	107,952	18.1	72	11.4	32,944	16.7
<i>Low and Moderate</i>	120	22.1	113,018	18.9	88	13.9	34,731	17.6
Middle	271	49.9	307,465	51.6	234	37.0	100,714	51.1
Upper	150	27.6	175,646	29.5	310	49.0	61,616	31.2
Unknown	2	0.4	0	0.0	1	0.2	125	0.1
<b>Total</b>	<b>543</b>	<b>100.0</b>	<b>596,129</b>	<b>100.0</b>	<b>633</b>	<b>100.0</b>	<b>197,186</b>	<b>100.0</b>

\*Based on 2000 U.S. Census Information

<b>Exhibit 14</b>								
<b>Geographic Distribution of 2005 HMDA-Reportable Loans</b>								
Census Tract Income Level	Assessment Area				Activity within the Assessment Area			
	Census Tracts		Owner-Occupied Units		Bank Loans		Aggregate Loans	
	#	%	#	%	#	%	#	%
Low	12	2.2	5,066	0.8	14	3.1	1,821	1.0
Moderate	108	19.9	107,952	18.1	67	14.6	31,788	17.9
<i>Low and Moderate</i>	120	22.1	113,018	18.9	81	17.7	33,609	18.9
Middle	271	49.9	307,465	51.6	183	40.0	93,265	52.6
Upper	150	27.6	175,646	29.5	194	42.4	50,284	28.4
Unknown	2	0.4	0	0.0	0	0.0	101	0.1
<b>Total</b>	<b>543</b>	<b>100.0</b>	<b>596,129</b>	<b>100.0</b>	<b>458</b>	<b>100.0</b>	<b>177,259</b>	<b>100.0</b>

\*Based on 2000 U.S. Census Information

Commercial lending in the low- and moderate-income tracts is reasonable, representing 15% of the bank's commercial lending during the review period. Commercial lending in low- income census

tracts was minimal at only one origination. However, 14.2% of the bank's commercial loans were originated in moderate- income tracts, which is slightly below the percentage of such tracts and number of businesses in the assessment area.

Although competition within the assessment area represents established banks that have maintained a presence in the Warren-Troy MSA substantially longer than Paramount Bank, the bank's HMDA reportable lending in low- income census tracts exceeds demographic and aggregate performance for the assessment area. However, the bank's level of lending in moderate-income census tracts was below aggregate performance levels. A review of HMDA-related lending indicates an increasing trend in low- and moderate-income tracts from 2004 to 2005, which correlates to the bank's increased staff involvement in marketing efforts for affordable housing programs across the entire assessment area. There was no penetration of consumer loans in low-income tracts; however, the bank's primary focus is commercial and residential real estate lending. Accordingly, consumer lending comprises a small percentage of the bank's loan portfolio.

### **Complaints**

Neither Paramount Bank nor this Reserve Bank has received any CRA-related complaints since the previous examination.

### **Community Development Test**

The bank was evaluated under the *Small Bank CRA Procedures*. However, at the bank's request, community development activities and services were also reviewed.

#### *Community Development Loans*

The bank's level of community development loans is considered good. The bank made seventeen community development loans totaling approximately \$1,733,000 since the December 9, 2002 evaluation. Community development lending activity for the evaluation period focused on the 'Affordable Home Purchase and Home Improvement Product.' This product was designed to develop partnerships with not-for-profit community development organizations and provide individuals with the opportunity to improve their current homes, or to purchase a new or existing rehabilitated home in low- and moderate-income neighborhoods within the bank's assessment area.

#### *Investments/ Donations*

The bank's community development investment activity focuses on providing grants and donations to local community organizations that target or serve low- or moderate-income neighborhoods or low- or moderate-income members of the community, as well as providing support for the community's small businesses. The bank made 22 investments totaling \$44,855 to

these types of organizations, which is considered adequate.

Some of the organizations to which the bank contributed during the review period include the following:

- Lighthouse Community Development: focuses on developing sustainable, affordable housing for low and moderate-income families.
- Community Housing Network: promotes economic self-sufficiency of low and moderate-income individuals through home-ownership and access to affordable and desirable housing opportunities.
- Community Development Corporation of Warren: revitalizes and rebuilds needy communities, aiming to provide housing that is affordable to low- and moderate-income families.

#### *Retail Services*

Retail services are considered to be readily assessable to all portions of the assessment area based on the number and location of branches and ATMs, hours of operation, the nature and diversity of products and services, and the alternative systems available to customers to access the products and services.

The bank's four offices are located in Farmington Hills, Birmingham, Clinton Township and Ferndale. All of these communities are located in the Warren-Troy MSA, and also provide full-service ATMs. Saturday drive-up hours are maintained at the Ferndale location. Paramount Bank also participates in an ATM network in southeast Michigan that affords bank customers additional convenience.

Alternative delivery systems were also reviewed as part of this evaluation. Paramount Bank maintains several alternative delivery systems including the following:

- Telephone banking - Customers may obtain information about their accounts, transfer funds, check balances, deposits and checks/withdrawals.
- Internet Banking – Customers can utilize internet banking through the bank's website address, [www.paramountbank.com](http://www.paramountbank.com), which allows access to account information, funds transfer, and the ability to pay bills online.

#### *Community Development Services*

Paramount Bank and its employees are very active within the communities in which the bank operates and work with various organizations to provide a relatively high level of community development services. These services complement the bank's lending products by providing members of the community with knowledge to better utilize products offered by the bank or other financial institutions. Community services are provided by bank personnel who serve as directors for local organizations to support development projects, training for small businesses, financial literacy training programs, and affordable housing products.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Paramount Bank is in compliance with the substantive portions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A consumer compliance examination, which would include a review of loan activity for compliance with these Acts was not conducted at this time. The most recent compliance examination included a review of loan policies and procedures, articulated lending standards, forms, denied loan applications, and a sample of the bank's lending activity. No evidence was noted of discriminatory practices or other illegal credit practices on a prohibited basis.



## Appendix A

### GLOSSARY

**Aggregate lending:** *The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.*

**Census tract:** *Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.*

**Community development:** *Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals, 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, activities that revitalize or stabilize low- or moderate-income geographies.*

**Consumer loan:** *A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.*

**Family:** *Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).*

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

**Home Mortgage Disclosure Act ("HMDA"):** *The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).*

**Home mortgage loans:** *Include home purchase and home improvement loans as defined in the HMDA*

*regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.*

**Household:** *Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.*

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

**Market share:** *The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.*

**Metropolitan area:** *Any primary metropolitan statistical area ("PMSA"), metropolitan statistical area ("MSA"), or consolidated metropolitan area ("CMSA"), as defined by the Office of Management and Budget, with a population of 250 thousand or more, and any other area designated as such by the appropriate federal financial supervisory agency.*

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

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

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

**Owner-occupied units:** *Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.*

**Qualified investment:** *A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.*

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

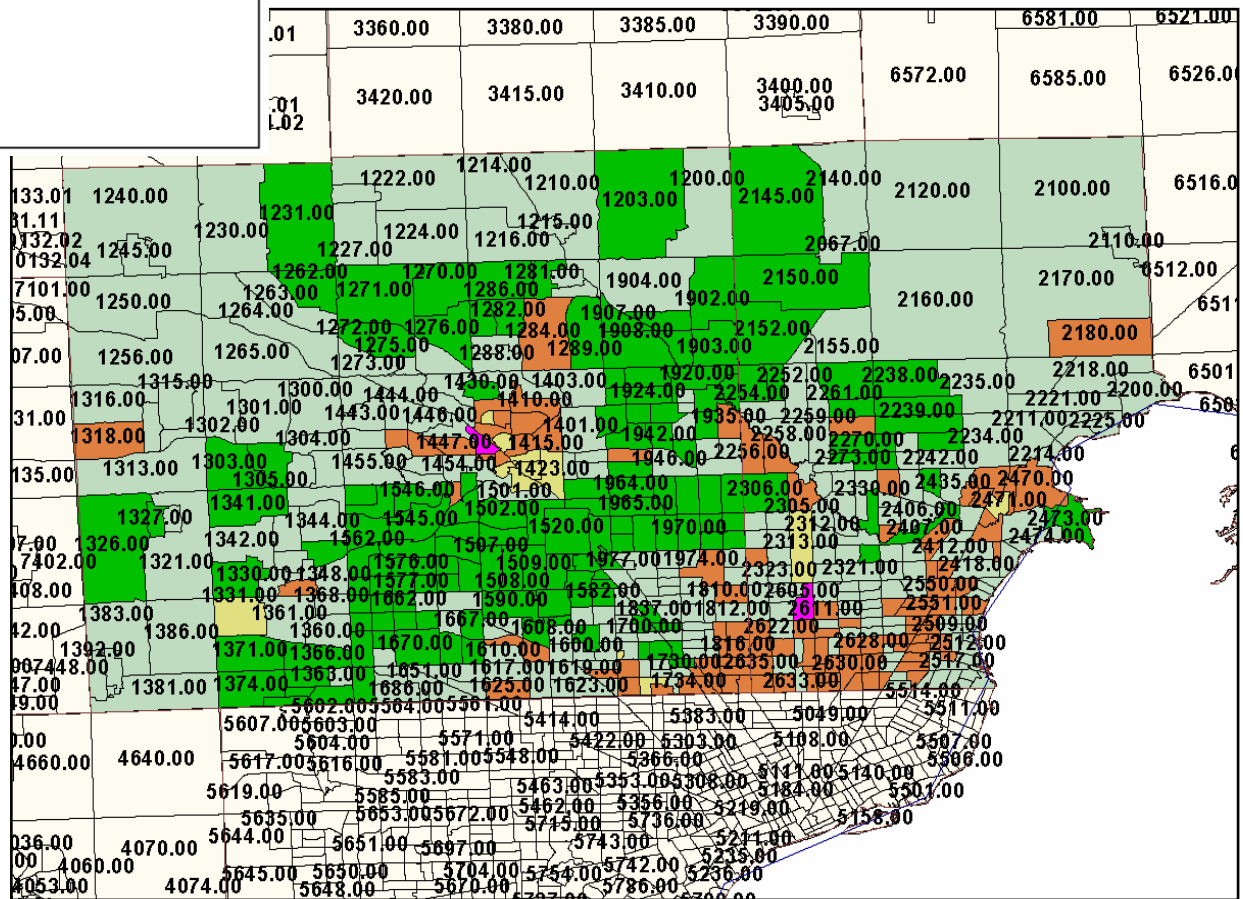
**Upper-income:** *Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent.*

### Appendix B

### Paramount Bank's Assessment Area Map

**Legend**

- Unknown
- Low
- Moderate
- Middle
- Upper
- Main Office
- Main Office w/ATM
- Full Service ATM
- Branch w/o ATM
- Branch w/ATM
- Branch w/Cash ATM
- Cash Only ATM
- Loan Prod. Office
- Closed Branch



Appendix C

Paramount Bank's Assessment Area with Branches Shown

