

## **PUBLIC DISCLOSURE**

**June 1, 1999**

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### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

#### **CHARTER BANK**

RSSD Number: 270241

3058 1<sup>st</sup> Street  
Wyandotte, Michigan 48192

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.

## 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 **Charter Bank, Wyandotte, Michigan**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **June 1, 1999**. 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.

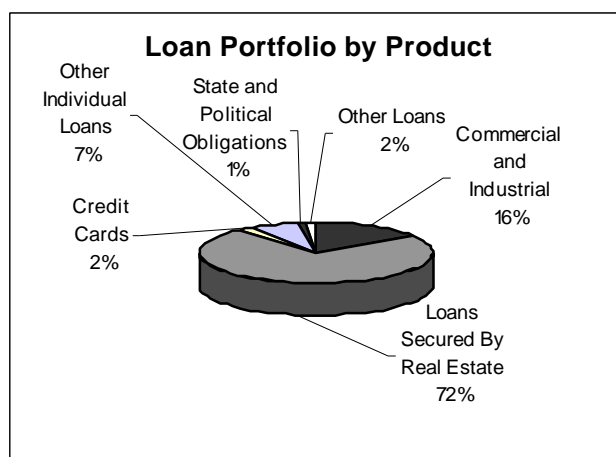
The bank’s overall satisfactory CRA rating is supported by a reasonable average loan-to-deposit ratio of 81.4% (based on the previous four quarters) which is consistent with the lending levels of its local competitors. Banking services are accessible throughout the bank’s assessment area. The bank provides an excellent level of community development services, and services available at the bank’s offices do not inconvenience any portion of the assessment area. The bank’s record of lending within its assessment area exceeds the standards for satisfactory performance, with 71.6% of HMDA-related loans, one of the bank’s dominant products, and 88.4% of commercial loans originating within the assessment area. The geographic distribution of lending does not meet satisfactory performance due to minimal lending activity occurring in low-and moderate-income areas. The bank has made virtually no penetration in moderate-income areas representing approximately 17% of the bank’s assessment area. The bank’s record of lending to borrowers of different income levels and to businesses of different sizes also meets the standards for satisfactory performance evidenced by 32.9% of lending to low and moderate-income borrowers and 40.6% of commercial loans to small businesses. The bank promotes economic revitalization and growth consistent with its size, financial capacity, location, and current economic conditions. There were no CRA-related complaints received since the previous examination.

## PERFORMANCE CONTEXT

## DESCRIPTION OF INSTITUTION

Charter Bank, Wyandotte, Michigan, with total assets of \$261 million as of March 31, 1999, is a subsidiary of Charter National Bancorp, Inc., a one-bank holding company located in Taylor, Michigan. The bank is headquartered in Wyandotte, Michigan, and operates eight branch offices throughout the southern portion of Wayne County. Two offices are located in Wyandotte, four in Taylor, one in Grosse Isle, and one in Trenton. Deposit and loan services for both retail and commercial customers are offered. The bank promotes economic revitalization and growth, consistent with its size, financial capacity, product offerings, and current economic conditions. There are no factors limiting the bank's ability to meet the credit needs of its assessment area, and the bank does not face any legal constraints that would impede its CRA activities.

The bank's primary business focus is commercial lending, and its predominant loan products are commercial and residential real estate loans. The following chart illustrates the bank's loan portfolio as of March 31, 1999.



According to the March 31, 1999 Consolidated Report of Condition, commercial loans totaled \$28.6 million and represented 15.9% of the bank's total loan portfolio. Real estate secured loans totaled \$131.7 million and represented 72.9% of total loans.

Charter Bank operates in a highly competitive banking environment. Primary competition is provided by branch offices of First of America Bank (Kalamazoo), NBD Bank (Detroit), Old Kent Bank and Trust Company (Grand Rapids), Comerica Bank (Detroit), and Standard Federal Bank (Troy). In addition, more than fifteen credit unions operating within the bank's assessment area provide competition for certain products and services.

## DESCRIPTION OF ASSESSMENT AREA

The bank’s main office is headquartered in Wyandotte, Michigan. The City of Wyandotte is located by the Detroit River opposite to the northern tip of Grosse Isle. The local industry is largely engaged in the production of chemicals. The major companies operating in Wyandotte are BASF Corporation and the Henry Ford-Wyandotte Hospital. Although much of the area is old, residences are well-maintained and new high-rise buildings have been built overlooking the river.

The bank’s assessment area encompasses 86 census tracts in the “downriver” community located in the southern portion of Wayne County in the Detroit Metropolitan Statistical Area (“MSA”). Two of the census tracts are designated low-income, and 15 are designated moderate-income.

According to 1990 U.S. census data, the population of the bank’s assessment area is 249,884. The 1999 HUD MSA adjusted median family income for the Detroit MSA is \$60,500. The 1999 HUD MSA adjusted median family income for Nonmetropolitan Michigan \$39,400. The total number of families in the assessment area is 89,348, of which 16,424 (18.4%) are low-income, 189,496 (16.8%) are moderate-income, 251,065 (22.2%) are middle-income, and 441,021 (39.1%) are upper-income.

The 1990 U.S. census data indicates that the housing stock in the assessment area consists of 100,550 housing units, of which 62.7% are owner-occupied, and 28,293 (28.1%) are rental units. The median age and value of housing stock is 45 years and \$58,090, respectively, with a gross median monthly rent of \$454.

A labor market analysis of Wayne County and the State of Michigan for years 1996 through 1998 is as follows:

<b>LABOR FORCE STATISTICS (WAYNE COUNTY)</b>			
	1996	1997	1998
Labor Force	945,525	957,925	958,125
Employment	894,300	912,850	913,175
Unemployment Rate	5.4%	4.7%	4.7%

<b>LABOR FORCE STATISTICS (STATE OF MICHIGAN)</b>			
	1996	1997	1998

Labor Force	4,909,000	5,003,000	5,072,00
Employment	4,670,000	4,829,,000	4,900,000
Unemployment Rate	4.9%	3.5%	3.4%

As the preceding charts indicate, the Wayne County unemployment rate has decreased proportionately with the State of Michigan unemployment rate over the three-year period.

The bank’s assessment area meets the requirement of the regulation in that it consists of one or more contiguous political subdivisions, contains all geographies where it has an office, and consists of only whole census tracts. In addition, the assessment area does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income areas.

## PERFORMANCE CRITERIA

### I. LOAN-TO-DEPOSIT RATIO

A review of the bank's March 31, 1999 Consolidated Report of Condition revealed a loan-to-deposit ratio of 83.6%. An analysis of the bank's Consolidated Report of Condition for the previous four quarters disclosed an average loan-to-deposit ratio of 81.4%. Although this average is less than the bank's local peer group, consisting of larger financial institutions, this ratio compares favorably to the national peer group average loan-to-deposit ratio of 70.65% during the same period.<sup>1</sup> The following chart compares the loan-to-deposit ratios of the bank and its peer group over the last four quarters, and indicates the bank's asset size at each of the corresponding periods:

Date	Charter Bank Ratio	Peer Group Ratio	Assets (000s)	Deposits (000s)
6/30/98	73.8%	70.7%	\$240,818	\$203,833
9/31/98	81.4%	71.6%	\$243,470	\$205,366
12/31/98	86.8%	69.98%	\$245,922	\$203,461
3/31/99	83.6%	70.67%	\$261,975	\$214,195

According to the data in the preceding chart, the bank's loan-to-deposit ratio has consistently increased over the four-quarter period, with the exception of a slight decrease in the first quarter of 1999. A review of the bank's loan and deposit base during the previous four quarters indicates that loans and deposits have increased approximately 8.1% and 4.8% respectively.

Considering the preceding analysis, comments received from community representatives, and the bank's competition, asset size, and capacity to lend within its assessment area, the bank's loan-to-deposit ratio is considered reasonable and **meets** the standards for satisfactory performance under this criterion.

### II. LENDING IN ASSESSMENT AREA

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<sup>1</sup> Figures obtained from the March 31, 1999 Uniform Bank Performance Report

The analysis of 1998 HMDA-related loans revealed the following distribution of loans in the assessment area:

Loan Type	# of Loans Originated	# of Loans Within Assessment Area	% of Total Loans within Assessment Area
Home Purchase	69	64	92.75%
Refinance	159	132	83.01%
Home Improvement	71	59	83.09%
Total	299	255	85.28%

The preceding chart illustrates that a substantial majority of loans were made within the bank's assessment area.

A six-month sample of commercial loans was reviewed to determine the bank's level of lending for this product in its assessment area. The bank originated 136 (71.6%) of HMDA-related loans within its assessment area.

During the latest six-months, the bank originated 38 (88.4%) commercial loans within its assessment area. The examination loan analysis further supports the bank's self-analysis. Based on the preceding findings, the bank **exceeds** the standards for satisfactory performance under this criterion.

### III. LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

#### Lending to Borrowers of Different Income Levels:

The bank's 1998 HMDA-related loans was reviewed to determine the level of lending by income level within the assessment area. The following chart illustrates the loan distribution to borrowers of different income levels during 1998:

LOAN TYPE	LOW-INCOME		MODERATE-INCOME		MIDDLE-INCOME		UPPER-INCOME		NOT AVAILABLE	
	#	000's	#	\$000s	#	\$000s	#	\$000s	#	\$000s
HMDA-related	20	630	58	3,272	62	5,017	97	13,969	18	2,028

The preceding chart indicates that 32.91% of the loans were made to low- and moderate-income borrowers. Lending to upper-income borrowers represented 40.9% of all HMDA-related lending.

#### Lending to Businesses of Different Sizes:

Commercial loans in a six-month sample period (September 1998 through March 1999) were reviewed to determine the level of lending to businesses of different sizes. The following chart illustrates the loan distribution:

COMMERCIAL LOANS	# OF LOANS	%	\$ AMOUNT (000s)
\$100,000 or less	239	78.9%	\$8,195
\$100,000- \$250,000	44	14.5%	\$6,761
\$250,000-\$1,000,000	18	5.9%	\$8,524
Total	301	99.3%	\$23,480

During the review period, approximately 40.6% of these loans were to small businesses with revenues less than \$1 million. As the preceding chart indicates, the majority of small business loans made during the review period 79.4% were in amounts of \$100,000 or less.

Overall, the bank's lending reflects good penetration among borrowers of different income levels and to businesses of different sizes.

### IV. GEOGRAPHIC DISTRIBUTION OF LOANS



The following chart illustrates the loan distribution during the sample period (September 1997 through February 1998):

LOAN TYPE	Low-Income Census Tracts		Moderate-Income Census Tracts		Middle-Income Census Tracts		Upper-Income Census Tracts	
	#	\$	#	\$	#	\$	#	\$
Real Estate	0	0	1	\$88,000	15	\$1,311,375	14	\$2,644,000

The preceding chart indicates that 45.4% of loans were made in middle-income census tracts, and 42.4% were made in upper-income census tracts within the bank's assessment area. The chart also indicates minimal real estate lending in low- and moderate-income areas. Only one loan in the sample was made to a moderate-income borrower. While the bank has only two low-income census tracts in its assessment area, fifteen census tracts are designated as moderate-income, representing approximately 17% of its assessment area. Based on the poor performance in lending within moderate-income areas, the bank **does not meet** the standards for satisfactory performance under this criterion.

#### IV. RESPONSE TO COMPLAINTS

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

#### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Our analysis of the bank's performance under the criteria described above indicated that the bank is in compliance with CRA and the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Act.