

## **PUBLIC DISCLOSURE**

*April 9, 2001*

---

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

#### **NEW CENTURY BANK**

RSSD Number: 2728474

23155 Northwestern Hwy.  
Southfield, Michigan 48075

#### **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 **New Century Bank, Southfield, Michigan** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **April 9, 2001**. 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*.

**New Century Bank, Southfield, Michigan** is a de novo institution that commenced operations in July 1999. Our examination represents the first review of this organization's compliance with CRA. Management has not formalized the policies and procedures that have been adopted by the organization. The bank has predominantly been a commercial lessor of equipment; however, the current plan is to be a residential one-to-four family real estate and commercial real estate lender, which is consistent with the credit needs of the community. Other lending activities include consumer loans.

New Century Bank is helping to meet the identified credit needs within its two county assessment area. The bank's loan to deposit (LTD) ratio is reasonable in relation to its peer group and local competitors, taking into account the characteristics of the bank. A substantial majority of the loans are located within the bank's assessment areas. The overall distribution of borrowers reflects reasonable penetration among borrowers of different income and revenue levels. Loans are reasonably dispersed throughout the bank's assessment areas. There were no CRA-related complaints received by the institution or this Reserve Bank since opening.

## DESCRIPTION OF INSTITUTION

New Century Bancorp is a Delaware corporation established as a bank holding company to own and operate New Century Bank as its sole shareholder. Through an exchange of stock, the holding company acquired The Bancorp Group, Inc., a Michigan Corporation engaged in commercial leasing activity. Through another stock transaction between the holding company and the bank, New Century Bank then acquired this company as a wholly owned subsidiary. New Century Bank is a Michigan Banking Corporation chartered in July 1999. As of December 31, 2000, the bank had total assets of \$40,241,000.

Due to underlying problems in the Bancorp Group's lease portfolio that resulted in significant charge-offs, in February 2000, a decision was made to discontinue the booking of new leasing transactions. At that time, most of the leasing personnel were terminated which provided a major step in stabilizing the operating condition of the bank. A decision was then made to re-focus the bank's efforts into traditional community banking activities, and to replace the higher risk lease assets with lower risk commercial and consumer loans. Leases currently represent approximately 80% of the outstanding loan and lease portfolios. To fund this activity, as well as, to comply with regulatory requirements, additional capital was required. In addition, management would pursue less costly core deposits to replace the more expensive CD's which made up almost all the deposits of the bank. It was agreed that the current location was not a desirable site for a banking office and that a move to another location would likely be beneficial. Subsequently, the bank's Board accepted the recommendation of the bank's Compliance/Strategic Planning Committee to relocate the banking operation to a high growth area within Macomb County.

The directors recognize their responsibility to operate New Century Bank by providing high quality financial products and services to small and medium size businesses and to individuals through a sound financial institution staffed with capable personnel following prudent policies and procedures.

There are factors relating to the bank's financial condition, size, products offered, prior performance, and legal impediments that would prevent the bank from meeting the community's credit needs.

The bank considers it's primary competitors to be Comerica Bank (Detroit, MI), Michigan National Bank (Farmington Hills, MI) BankOne-Michigan, (Detroit, MI), Standard Federal Bank (Troy, MI), First Federal of Michigan (Cleveland, OH), and National City Bank of Michigan/Illinois (Bannockburn, IL). The local credit unions and check cashing facilities throughout Macomb County provide additional competition.

## **DESCRIPTION OF ASSESSMENT AREA**

New Century Bank is currently headquartered in Southfield, Michigan, with its primary service area consisting of the City of Southfield and a secondary service area that includes the remainder of Oakland County and all of Macomb County.

### **CITY OF SOUTHFIELD**

Southfield is located in southeastern Michigan, north of Detroit. The city is home to the Oakland County's largest office complex. Southfield has 8,300 businesses within its boundaries. It is host to 140 "Fortune 500" companies. It is also Oakland County's largest concentration of foreign firms. Businesses in Southfield account for two-thirds of the community's tax base.

<b>SOUTHFIELD CHARACTERISTICS</b>	
<b>Income Summary</b>	<b>CITY</b>
Median Family Income	\$43,914*
<b>Unemployment Summary</b>	
Total Population	75,728*
Labor Force Population	44,450*
Percent Unemployment	4.0%*
<b>Housing Summary</b>	
Total Housing Units	35,054**
Percent Owner-Occupied Units	49%**
Percent Rental Units	42%**
Percent Vacant Units	8%**
Median Housing Value	\$84,300**

Source: \*City of Southfield ([www.metronet.lib.mi.us/sfld/demogcom.html](http://www.metronet.lib.mi.us/sfld/demogcom.html))

\*\*Southeast Michigan Council of Governments ([www.semco.org](http://www.semco.org))

<b>Major Employers in the City of Southfield</b>	<b>Employees</b>
Progressive Tool & Industries	3,500
Thorn Apple Valley (HQ)	3,300
Blue Care Network	3,219
Providence Hospital	3,200
Ameritech	2,015
Guardian Alarm	1,080
Electronic Data Systems	945
IBM	800

Source: City of Southfield ([www.metronet.lib.mi.us/SFLD/majoremp.html](http://www.metronet.lib.mi.us/SFLD/majoremp.html))

## OAKLAND COUNTY

Located on the eastern most part of Michigan; northwest of Detroit, Oakland County's population has grown faster than that of the state of Michigan. Over 15% of all people employed in Michigan work in Oakland County. According to the Michigan Economic Development Corporation, 38% of the Fortune 500 companies do business in Oakland County. It leads all other counties as center for international commercial activity by doing business with 394 foreign-owned firms from 21 countries. Oakland is home to one third of Michigan's R&D firms.

<b>OAKLAND COUNTY AREA CHARACTERISTICS</b>		
<b>Tract Summary</b>	<b>County</b>	<b>State</b>
Total Number of Census Tracts	262	N/A
Number of Low-Income Census Tracts	7	N/A
Number of Moderate-Income Census Tracts	23	N/A
Number of Middle-Income Census Tracts	105	N/A
Number of Upper-Income Census Tracts	127	N/A
<b>Income Summary</b>		
Median Family Income	\$51,074	\$36,652
Percent Low-Income Families	12.0%	20.9%
Percent Moderate-Income Families	13.9%	17.3%
Percent Middle-Income Families	21.3%	23.0%
Percent Upper-Income Families	52.8%	38.8%
Percent of Families Below Poverty	4.4%	10.2%
<b>Unemployment Summary</b>		
Total Population	1,083,592	9,295,297
Labor Force Population	588,572	4,554,160
Percent Unemployment	5.3%	8.2%
<b>Housing Summary</b>		
Total Housing Units	439,367	3,826,765
Percent Owner-Occupied Units	65.8%	63.0%
Percent Rental Units	25.6%	25.8%
Percent Vacant Units	8.6%	11.2%
Percent Boarded-Up Units	0.1%	0.5%
Median Housing Value	\$94,861	\$60,062
Median Age of Housing Stock	35yrs	30yrs

Source: Census Data; 1990 STF3A

<b>Major Employers in Oakland County</b>	<b>LOCATION</b>	<b>EMPLOYEES</b>	<b>PRODUCT</b>
William Beaumont Hospital	Royal Oak & Troy	10,000	Health Care
Chrysler Technology Center	Auburn Hills	7,000	Minivan, Sm & Lg Car Eng & Prd.

Major Employers in Oakland County	LOCATION	EMPLOYEES	PRODUCT
Kmart Corporation	Troy	6,500	Dept. Stores & Hq
Chrysler Corporation	Auburn Hills	6,000	Testing Labs & Hq
General Motors Corp	Milford	5,700	Testing Labs
General Motors Corp	Lake Orion	4,600	Automobile Assembly
County of Oakland	Pontiac	4,000	Executive Offices
General Motors Corp	Milford	4,000	Testing, Research & Development
General Motors Corp	Pontiac	4,000	Truck Assembly
Ford Motor Co	Wixom	3,800	Automobile Assembly

Source: Michigan Economic Development Corporation (<http://medc.michigan.org/miinfo/place/OaklandCounty>)

**MACOMB COUNTY**

Macomb County is the ninth smallest of Michigan's 83 counties (with 482 square miles), yet it ranks third in both population and State Equalized Value. Among the county's 27 municipalities are included three of the ten largest communities in Michigan; Warren (3rd), Sterling Heights (6th), and Clinton Township (10th). Manufacturing is Macomb County's leading industry, employing roughly one-third of the workforce. Major manufacturers alone have invested over \$2 billion in the county since 1990. Macomb County has been the "location of choice", because it has been recognized for having a business environment, quality infrastructure, and productive workforce that has produced positive results.

MACOMB COUNTY CHARACTERISTICS		
Tract Summary	County	State
Total Number of Census Tracts	194	N/A
Number of Low-Income Census Tracts	1	N/A
Number of Moderate-Income Census Tracts	18	N/A
Number of Middle-Income Census Tracts	120	N/A
Number of Upper-Income Census Tracts	55	N/A
Income Summary		
Median Family Income	\$44,586	\$36,652
Percent Low-Income Families	13.9%	20.9%
Percent Moderate-Income Families	17.1%	17.3%
Percent Middle-Income Families	25.6%	23.0%
Percent Upper-Income Families	43.3%	38.8%
Percent of Families Below Poverty	4.0%	10.2%

<b>Unemployment Summary</b>		
Total Population	717,400	9,295,297
Labor Force Population	380,523	4,554,160
Percent Unemployment	6.1%	8.2%
<b>Housing Summary</b>		
Total Housing Units	274,843	3,826,765
Percent Owner-Occupied Units	74.4%	63.0%
Percent Rental Units	22.0%	25.8%
Percent Vacant Units	3.6%	11.2%
Percent Boarded-Up Units	0.0%	0.5%
Median Housing Value	\$75,872	\$60,062
Median Age of Housing Stock	36yrs	30yrs

Source: Census Data; 1990 STF3A

<b>MAJOR EMPLOYERS IN MACOMB COUNTY</b>	<b>LOCATION</b>	<b>EMPLOYEES</b>	<b>PRODUCT</b>
General Motors Corp	Warren	4,000	Auto design engine and assembly
Ford Motor Co.	Sterling Heights	4,000	Rear axle assemblies
Chrysler Corp.	Warren	3,700	Truck assembling
Chrysler Corp /Sterling Stamp	Sterling Heights	3,540	Automotive stampings
Ford Motor Co.	Sterling Heights	3,030	Auto Assembly
St. John Health System	Warren	2,249	Health Care
Mercy Health Services, Inc.	Warren	1,952	Health Care
EDI Corporation	Warren	1,700	Global information services
Mount Clemens General Hospitals	Mount Clemens	1,373	Health care
Macomb Community College	Warren	1,169	Higher education

Source: Michigan Economic Development Corporation (<http://medc.michigan.org/miinfo/place/OaklandCounty>)

**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 and other lending-related activities located in the bank’s assessment area(s), the record of lending to borrowers of different incomes and businesses and farms of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints.*

*To determine CRA performance, the above standards are analyzed and evaluated within the assessment area(s) context, which includes, but is not limited to, comparative analyses of the assessment area(s) and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area(s).*

### **LOAN-TO-DEPOSIT RATIO**

New Century Bank's loan portfolio was reviewed to evaluate its lending, loan mix and how the bank's performance compares to its peer group and its local competitors. The bank's net loan-to-deposit ratio (LTD) averaged 98.4% for the six quarters ended December 31, 2000, compared to 75.6% for the bank's peer group, and 81.5% and above for its competitors. According to the December 31, 2000, Uniform Bank Performance Report (UBPR), the LTD ratios for the bank, peer group and the bank's local competitors are shown below:

<b>Bank Name and Location</b>	<b>Assets as of December 31, 2000 (Mil)</b>	<b>LTD Ratio December 31, 2000 (%)</b>
New Century Bank, Southfield, MI	\$40	97.3%
Peer		74.8
Bank One MI, Detroit	21,308	105.0
Citizens Bank, Flint, MI	5,497	104.9
Comerica Bank, Detroit, MI	33,697	148.8
Franklin Bank, Southfield, MI	528	81.5
MNB, Farmington Hills, MI	11,918	102.6

A review of the bank's December 31, 2000 Consolidated Report of Condition revealed a loan-to-deposit ratio of 97.3%. The distribution by loan type was as follows:

<b>LOAN TYPE</b>	<b>DOLLAR AMOUNT OUTSTANDING (000's)</b>	<b>PERCENT OF TOTAL LOANS</b>
REAL ESTATE		
Construction	0	0.0
Residential (1-4)	0	0.0
Commercial	851	5.4
Agricultural	0	0.0
Multi-family	0	0.0
CONSUMER		
Open-end Credit	0	0.0
All Other	1,282	8.1
COMMERCIAL AND INDUSTRIAL	12,512	79.4
AGRICULTURAL	0	0.0
STATE AND POLITICAL		



OBLIGATIONS	0	0.0
OTHER	1,115	7.1

The bank’s average LTD compares favorably to its peer group and local competition, the bank’s LTD is considered reasonable for a de novo institution. Local competition which includes the financial institutions listed above, also includes the local credit unions and check cashing stores. The larger financial institutions offer a wider variety of credit products with more flexible terms and conditions than is available at the bank.

Considering the preceding factors, the bank’s average loan to deposit ratio is considered more than reasonable for a de novo bank of this asset size, financial condition and assessment area’s credit needs.

**LENDING IN ASSESSMENT AREA**

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
CONSUMER	29	19	65.5%
COMMERCIAL	13	9	69.2%
TOTAL	42	28	66.7%

As the above table indicates 66.7% of the bank’s loan sample were made in the assessment area. The total dollar amount of loans within the assessment area was \$2,546,060 or 65.0% of total loans.

A majority of the bank’s loans are within the assessment area and therefore this performance category is rated satisfactory.

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

The following chart illustrates the distribution of loans among borrowers of different income levels:

TYPE	LOW-INCOME \$’s/Number	MODERATE- INCOME \$’s/Number	MIDDLE-INCOME \$’s/Number	UPPER-INCOME \$’s/Number
CONSUMER	69,934 / 4	43,459 / 3	46,840 / 4	474,940 / 8
% of Total Sample	21.1% / 11.0%	15.8% / 6.8%	21.1% / 7.4%	42.0% / 74.8%
% of Families in AA	<b>12.8%</b>	<b>15.2%</b>	<b>23.0%</b>	<b>49.0%</b>

The preceding chart indicates that 17.8% of the number of loans and 36.9% of the dollar amount originated within the bank’s assessment area were to low or moderate-income borrowers. When comparing the loans originated in the assessment area to the percentage of low and moderate-income families (38.0%) located within the assessment area, the bank has demonstrated its ability to lend to low and moderate income individuals and meets the standard for a satisfactory performance.

**Lending to Small Businesses**

Small business loans are those loans with an original loan balance of less than \$1million made to business with less than \$1 million in gross annual revenues.

Six months of loan data from October 1, 2000 through March 31, 2001 was reviewed to determine the bank’s level of lending to small businesses. The data consisted of 13 commercial loans totaling \$1,956,191, of which 12 (92.3%) commercial loans totaling \$1,756,191 were originated to small businesses. Of those small business loans, 9 (69.2%) were originated within the bank’s assessment area totaling \$999,238 or 51.1%. In addition, 7 or 53.8% of the total small business loans were in amounts of \$100,000 or less. Additionally, 12 or 92.3% of the total small loans were in amounts of \$250,000 or less.

The Macomb County Planning and Economic Development indicated that of the 2,181-manufacturing firms located in Macomb County, 381 were small business or 17%. The bank overall has originated a reasonable penetration of loans (92.3%) to small businesses since its inception, however the number of loans originated within the assessment area is small and meets the standard for satisfactory performance.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

An analysis of the distribution of a sample of loans originated by New Century Bank revealed a reasonable dispersion of loans throughout the assessment area.

Income Level	Geographies		Number of Loans		Dollar Amount of Loans	
	Number	Percent	Total	Percent	Total (\$000)	Percent
Low	8	1.8	0	0.0	0	0.0
Moderate	41	9.0	1	5.3	100	6.1
Middle	225	49.3	6	31.6	120	7.3
Upper	182	39.9	12	63.1	1,415	86.6
Total	456	100.0	19	100.0	1,635	100.0

A review indicated that low- or moderate-income areas were not arbitrarily excluded from this assessment area.

A limited review of the geographic distribution of commercial and consumer loans among the 456

geographies that comprise the assessment areas was also performed. The results showed a reasonable dispersion among geographies of different income levels.

Community representatives affirmed that there were no segments of the assessment areas with special credit needs or that may be arbitrarily excluded from credit.

### **RESPONSE TO COMPLAINTS**

No CRA-related complaints were received by New Century Bank or this Reserve Bank since inception.

### **FAIR LENDING**

The bank is in compliance with the substantive provisions of the anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts. A sample of the bank's lending activity was reviewed to determine whether loan policies and lending standards were in compliance with the fair lending laws and regulations and implemented on an equitable basis. No evidence of prohibited discriminatory credit practices was detected.