

**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-income 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 **OmniBank, River Rouge, Michigan** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **May 20, 1996**. 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. The bank's loan-to-deposit ratio reflects these efforts. The bank's lending to borrowers of different income levels and businesses of different sizes exceeds the standards for satisfactory performance. The majority of the bank's loans are originated within the assessment area and are reasonably distributed geographically. The bank received no complaints regarding its CRA performance, since the previous examination.

The following table indicates the performance level of **OmniBank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	OMNIBANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the previous examination		

**DESCRIPTION OF INSTITUTION**

OmniBank, with total assets of \$49.2 million as of March 31, 1996, is a subsidiary of Omni Banc, a one bank holding company. The bank has three full-service branch offices, one located in each of the Cities of River Rouge, Detroit, and Highland Park. Additionally, there is a commercial loan production office located in Detroit and a stand alone automated teller machine (ATM) located inside the Cobo Hall convention center in Detroit.

The bank considers itself a full service lender with its primary focus on small businesses. The bank's primary competitors are a branch of Standard Federal Bank, located in River Rouge; branches and/or main offices of Comerica Bank (Michigan), NBD Bank, First of America Bank-Michigan, National Association (Southeast Michigan Region), Michigan National Bank, First Federal of Michigan, First Independence National Bank of Detroit located in Detroit; and several local credit unions.

There are no apparent factors relating to the bank's financial condition, products offered, prior performance or legal impediments that would prevent the bank from meeting various credit needs.

The bank's comparatively small size, however, is a factor when competing for credit products that address the needs in the area.

**DESCRIPTION OF THE BANK'S ASSESSMENT AREA**

The bank's defined assessment area includes the Cities of Detroit, Highland Park, Hamtramck, Dearborn, Melvindale, Allen Park, Taylor, Southgate, Lincoln Park Ecorse, River Rouge, Wyandotte, Riverview, Trenton, and one census tract in Grosse Ile. This assessment area encompasses a portion of southeast Michigan, and according to the 1990 U.S. census data has a population of 1.4 million. Minorities comprise 61.8% of the total population, of which 57.8% are African-American. The assessment area is part of the Detroit Metropolitan Statistical Area (MSA) and contains 424 census tracts, of which 281 are considered minority, 188 are considered low-income, and 111 are considered moderate-income. The bank has revised its assessment area, since the previous examination, to comply with the new provisions of the Community Reinvestment Act.

The median value of the homes in the assessment area is \$32,430 and the median age is 53 years. These figures compare to the MSA median value of \$66,680 and MSA age of 26 years. The assessment area housing stock is 53.4% owner-occupied compared to 65.6% for the MSA. The median income of the assessment area is \$27,193 compared to \$40,727 for the MSA.

The MSA is a highly urbanized and industrialized area, which dominates the state's manufacturing, retail, and wholesale trade. Automotive manufacturing and its supporting businesses is the dominant industry in the MSA. Additional industries include machinery and metals, chemicals, food products, and glass. According to the Michigan State University Press, 31% of the automobiles assembled in the United States are currently produced in Michigan. The solid rebound of the automotive industry has helped boost economic growth of the MSA and the state.

Statistics obtained through the State of Michigan Employment Security Commission revealed that the state unemployment rate for April of 1996 was 4.5%. This compares to a unemployment rate for the MSA of 3.9%, while the rates for River Rouge and Detroit are 6.4% and 7.6% respectively. The range of unemployment rates for the rest of the cities in the assessment area is a low of 1.6% for Trenton to a high of 13.2% for Highland Park.

Discussion with a community representative confirmed that the area is rebounding. Further, new government officials at the City of Detroit, and the recent designation of a portion of Detroit as an empowerment zone have brought additional economic growth and a very positive outlook for the economic future of the area.

The bank's assessment area consists of one or more contiguous political subdivisions, contains all areas where it has offices or deposit-taking ATMs, and consists only of whole census tracts. In addition, the assessment area does not reflect illegal discrimination and does not arbitrarily exclude any low-income or moderate-income areas.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

### Loan-to-Deposit Ratio

An analysis of the bank's Consolidated Report of Condition for the five quarters since the previous examination revealed an average loan-to-deposit ratio of 56.54%. According to the same five quarter average from the Uniform Bank Performance Report (UBPR), the bank is slightly below peer averages. Analysis of the June 30, 1995 loan-to-deposit ratios for ten local competitors revealed that only six local competitors had loan-to-deposit ratios significantly higher than the bank, and two of the six were savings and loan associations. The bank's loan-to-deposit ratio is considered reasonable and meets standards for satisfactory performance given the institution's size, financial condition and assessment area credit needs.

### Lending in Assessment Area

An analysis of the examination loan sample revealed that 60% of the loans were within its assessment area (see the table below). This is below the results of the HMDA reportable loan data for 1995 which revealed that over 97% of the reported loans were originated within the assessment area. Further, the bank's analysis of all loans originated from January 1995 thru April 1996 revealed that over 70% of all loans originated within the assessment area. These percentages indicate the bank is meeting standards for satisfactory performance in this criterion. The results of a review of the loan sample, 1995 HMDA data, and the bank's own analysis revealed the following distribution:

LOAN TYPE	TOTAL SAMPLED OR ORIGINATED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Real Estate	10	8	80
Installment	20	12	60
Line of Credit	3	2	67
Home Equity	6	3	50
Single Payment	4	3	75
Commercial	12	5	42
<b>Totals</b>	<b>55</b>	<b>33</b>	<b>60</b>
1995 HMDA Data	38	37	97
Bank's Analysis	606	430	71

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

A review of the bank's primary consumer loan products including a sample of 1995 HMDA reportable loans and the examination loan sample was completed to determine the bank's performance in lending to borrowers of different incomes.

According to 1990 census data, 39% of the population in the assessment area is considered low income and 19% is considered moderate income. The loan review revealed that 22% and 24% of the 1995 HMDA reportable loans were made to low and moderate income individuals, respectively. An analysis of the examination loan sample revealed that 21% and 15% of these loans were made to low and moderate income individuals, respectively. Overall, the bank's lending performance to low and moderate income individuals compares reasonably to the assessment area population distribution.

Additionally, a sample of commercial and agricultural loans was reviewed and revealed that all commercial loans made within the bank's assessment area were in amounts of \$100,000 or less.

The loan penetration to borrowers of different income levels and businesses of different sizes, given the demographics of the assessment area, exceeds the standards for satisfactory performance.

### **Geographic Distribution of Loans**

The bank's assessment area contains 188 low-income census tracts in which 37.9% of the assessment area's population reside. The bank has originated 35.1% of its 1995 HMDA reportable loans and 30.3% of the loans sampled in low-income census tracts. Further, the assessment area contains 111 moderate-income census tracts in which 29.3% of the assessment area's population reside and the bank originated 37.8% of its 1995 HMDA reportable loans and 36.4% of the loans sampled in moderate-income census tracts.

The bank's assessment area appears large for a bank of its size; however, the bank, while not originating loans in every census tract, has originated loans throughout the assessment area. These loans are proportionately distributed to all geographic areas in the assessment. Concentrations of loans were noted in areas where the bank has branches and this is considered reasonable. The bank's level of performance for this criteria is considered satisfactory.

### **Response to Complaints**

No CRA-related complaints were received during the period covered by this examination.