



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 17, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank in Howell
Charter #14144

101 E. Grand River Avenue
Howell, Michigan 48843

Comptroller of the Currency
Detroit Duty Station
Omni Officentre, Suite 411
26877 Northwestern Highway
Southfield, Michigan 48034

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 operation 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 Community Reinvestment Act (CRA) performance of First National Bank in Howell prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of July 17, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The basis of this rating was made with primary consideration given to the bank's lending activities;

- Management has demonstrated a willingness to lend to borrowers of different income levels within the bank's defined assessment area.
- A substantial majority of the loans originated are within the bank's assessment area.
- Lending activity reflects a good dispersion throughout the assessment area.

The following table indicates the performance level of First National Bank in Howell with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK IN HOWELL</u> 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 prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank in Howell (FNB-Howell) is a \$190 million full service community bank headquartered in Howell, Michigan. The bank is a member of FNBH Bancorp, Inc., a one bank holding company. FNB-Howell has seven banking offices spread through Livingston County. Four offices are established in Howell including a separate drive-in facility, and the remaining three offices are located in Brighton, Fowlerville and Hartland. All of the bank's offices have automatic teller machines (ATM) plus two additional off site ATM's are available in Howell.

FNB-Howell's loan portfolio grew by \$14.8 million or 13.2% between December 1993 and June 1996. The loan portfolio represented 67.3% of total assets at June 30, 1996. The data below provides a breakdown of the loan portfolio as reported in June 30, 1996 bank management reports.

Commercial Real Estate Loans	\$ 51,628,000	(40.5%)
Residential Loans	31,514,000	(24.7%)
Consumer Instalment Loans	16,146,000	(12.7%)
Commercial Loans	15,733,000	(12.3%)
Agriculture Loans	6,307,000	(4.9%)
Home Equity Loans	4,773,000	(3.7%)
Miscellaneous Loans	1,572,000	(1.2%)
Total	\$ 127,673,000	(100.0%)

As of the date of this evaluation, FNB-Howell does not have any financial, legal, or other impediments restricting its capacity to serve the community.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is reasonable and does not arbitrarily exclude any low- and moderate-income areas. FNB-Howell's assessment area is a contiguous area comprised of Livingston County. This county is a portion of the Ann Arbor Metropolitan Statistical Area (MSA) and includes 22 census tracts, two of which are designated as moderate-income areas. There are no identified low-income census tracts in Livingston County. The moderate-income areas within the bank's assessment area are comprised of Handy and Marion Township. The following table provides a synopsis of economic and demographic information for the bank's assessment area of Livingston County. Population and median family income information is according to 1990 Census data.

First National Bank in Howell
 Demographic Information for Livingston County

Assessment Area	Livingston County	
1990 Population	115,645	
1996 MSA Median Family Income	\$48,888	
Census Tract Characteristics	<u>Number</u>	<u>Population</u>
Low Income Tracts (below 50% of median)	0	0
Moderate Inc. Tracts (50%-80% of median)	2 (9.1%)	10,275 (8.9%)
Middle Income Tracts (80%-120% of median)	15 (68.2%) (66.1%)	76,470
Upper Income Tracts (over 120% of median)	5 (22.7%) (25.0%)	28,900
Family Income Characteristics	<u>Number</u>	<u>Percentage</u>
Low Income (below 50% of median)	4,044	12.75%
Moderate Income (50%-80% of median)	5,295	16.70%
Middle Income (80%-120% of median)	8,680	27.37%
Upper Income (over 120% of median)	13,694	43.18%

The economic condition of the local economy has been healthy in recent years due to dramatic population growth throughout Livingston County making it the fastest growing county in southeast Michigan. The County has become a central location for many affluent, white-collar workers who reside in the County and commute to various surrounding job markets. New housing construction has been at a rapid pace and both the quality and value are high, thus increasing the Livingston County median housing sale price. The County is also gaining an increasingly diversified industrial and commercial base. The County is home to the national headquarters of Citizens Insurance and Ogihara America Corporation. Other major employers include Kelsey Hayes, General Motors and McPherson Hospital. According to the Michigan Employment Security commission's Area Labor Statistics Report, the County's unemployment

rate is the lowest since 1990 at 2.8% as of June, 1996 and is nearly half the June, 1996 State of Michigan level of 4.9%.

Numerous financial institutions including NBD, Michigan National Bank, First of America and Comerica have established offices within the assessment area. These institutions provide intense competition in all banking products, but consumer lending and especially residential mortgage products experience the most competitive atmosphere.

Based on community contacts with two Livingston County agencies and review of a 1995 County Needs Assessment for the County, affordable housing is the most pressing credit need in the community. Primary factors are the rapid growth in the county and zoning restrictions which require a minimum lot size. Other credit needs identified during this examination include small business loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio:

- FNB-Howell's high loan to deposit ratio is reflective of the bank's willingness to lend to the community.

FNB-Howell has maintained a relatively large loan portfolio in relation to its deposit base. During the past eight quarters the bank's ratio of loans (net of loan loss allowance and other reserves) to deposits averaged 78.53%. This is significantly higher in comparison to the 63.61% average ratio for other banks of similar size and characteristics from throughout the midwest region. Furthermore, FNB-Howell's total loans have increased nearly \$12 million or 10.35% over the last eight quarters.

Lending in the Assessment Area:

- FNB-Howell originates a substantial majority of its loans within its assessment area.

A review of HMDA data reflected that 88% of the number and 91% of the dollars of HMDA reportable loans originated by First National Bank in Howell in 1994 and 1995 were made within the bank's assessment area. For the first six months of 1996 this responsiveness to lend in the community continues with 91% of the number and dollars of loans made within the assessment area. The following table provides detail for 1994, 1995 and preliminary 1996 HMDA loan originations made inside and outside of the bank's assessment area.

First National Bank in Howell
HMDA Loan Originations
Dollars are in \$000's

Loan Type	1994 Loans Originated				1995 Loans Originated				1996 Thru June Loans Originated			
	Inside AA		Outside AA		Inside AA		Outside AA		Inside AA		Outside AA	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Home Purchase	76	\$ 5,344	7	\$ 375	67	\$5,365	16	\$947	23	\$2,167	3	\$148
Refinance	76	5,597	9	422	50	3,969	5	415	44	3,514	5	415
Multi-Family	1	15	0	0	0	0	0	0	0	0	0	0
Home Improvement	32	394	2	8	36	362	5		18	328	1	7
Total Loans	185	11,350	18	805	153	9,696	26	1,390	85	6,009	9	570

Small Business Loan Activity in the Assessment Area

Virtually all of FNB-Howell's commercial loans made are to small businesses in the bank's community. Small businesses are generally defined as businesses with revenues of \$1million or less. Internal bank reports reflect that 89.3% of their small business loans are within the bank's assessment area.

Lending to Borrowers of Different Incomes and to Business of Different Sizes:

- FNB-Howell has shown a willingness to extend credit to all categories of borrowers within its assessment area.

We determined that the bank's lending to low-income and moderate-income individuals is good. In 1994, nearly 24% of the HMDA-related loans made by the bank were to low-income individuals, while 30% were to moderate-income individuals. When compared to all lenders in aggregate, FNB-Howell originated a higher percentage of its loans to low-income and moderate-income individuals. Furthermore, the total HMDA-related loans made by FNB-Howell in 1994 represented 3.5% of the market share, while loans made to low-income and moderate-income individuals reflected a 10.1% and 4.8% market share, respectively. In 1995, the bank maintained its overall rate of lending to low-income and moderate-income individuals. The following table compares FNB-Howell to the market with regard to the number of loans made in 1994 and 1995

to borrowers of different income levels within its assessment area. Market aggregation information is not available for 1995 at this time.

First National Bank in Howell
 Lending to Individuals of Different Income Groups
 Dollars are in \$000's

Applicant Income	Aggregate 1994		FNB-Howell 1994		FNB-Howell 1995	
	#	%	#	%	#	%
Low Income Individuals <50% of MSA Median	436	8.2%	44 23.8%		41	26.8%
Moderate Income Indiv. 50-79% of MSA Median	1,164	22.0%	56 30.3%		44	28.8%
Middle Income Indiv. 80-119% of MSA Median	1,744	33.0%	48 25.9%		37	24.2%
Upper Income Individuals ≥120% of MSA Median	1,852	35.0%	30	16.2%	28	18.2%
Income Not Available	95	1.8%	7	3.8%	3	2.0%
Total	5,291	100.0%	185	100.0%	153	100.0%

Small Business Loan Activity of Businesses of Different Sizes

As stated earlier, FNB-Howell is an active small business lender. As of June 1996 the bank had over 600 small business loans outstanding with an average size of less than \$100,000. Although the bank did not have a specific break out of business loans by business size, the smaller average loan size reflects the banks willingness to support businesses of all sizes.

Geographic Distribution of Loans:

- FNB-Howell's geographic distribution of credit applications and extensions demonstrates penetration into all segments of its local community, and considerable lending in the moderate-income areas.

FNB-Howell receives applications from, and lends, to, individuals and businesses throughout its assessment area. All segments of the community are reached. The table below illustrates the bank's geographic distribution of housing related loans by income level of the census tracts. Lending in the two moderate-income areas of Livingston County was found to be good. The

percentage of HMDA lending done in the moderate-income sectors was proportionally higher than the portion of the population, families, and owner occupied housing units represented by those moderate-income areas. There are no identified low- income census tracts in Livingston County.

First National Bank in Howell
1995 HMDA Lending within the Assessment Area

Census Tract Categories	% of Number of Loans made in Area	Demographics of the Census Tracts as a Percentage of the Assessment Area/County Demographics			
		% of Number of Area Tract	Population %	Families %	Own/Occup H. Units %
Moderate Income	14.4%	9%	8.9%	8.5%	7.7%
Middle Income	63.4%	68%	66.1%	66.2%	66.6%
Upper Income	22.2%	23%	25.0%	25.3%	25.7%

Own/Occup. H. Units - refers to Owner Occupied Housing Units

In relation to the overall lending activity within the market, FNB-Howell’s lending activity in the moderate-income areas for housing purposes exceeds the community’s other financial institutions lending within these areas. Based on a review of 1994 and preliminary 1995 HMDA data, the percentage of applications FNB-Howell received from the moderate-income neighborhoods remained consistent during the past two years at 22.8% and 23.0% for 1994 and 1995, respectively. This was greater than the 1994 market aggregate which indicated that only 8.5% of applications were from the moderate-income areas. The percentage of loans extended by FNB-Howell within the moderate-income areas were slightly different at 18.4% and 14.4% in 1994 and 1995, but still exceeded the 6.4% reflected by the aggregate market in 1994.

The following table compares FNB-Howell’s 1994 market share of applications and loans within the moderate-income segments of the bank’s community to the bank’s share of the overall market. We concluded that the bank’s overall penetration into the moderate-income areas of its community is good.

First National Bank in Howell
 1994 Market Share Analysis
 Dollars are in \$000's

Loan Type	Number of Loans				Dollar of Loans			
	FNB-Howell Overall Market Share		FNB-Howell Market Share of Moderate Income Areas		FNB-Howell Overall Market Share		FNB-Howell Market Share of Moderate Income Areas	
	#	%	#	%	\$	%	\$	%
Home Purchase Loans	77	2.9	19	10.0	\$ 5,359	1.9	\$ 729	6.9
Home Refinance Loans	76	4.0	12	11.9	5,597	3.2	597	9.4
Home Improvement Loans	32	4.2	3	5.1	394	3.4	21	3.3
Total	185	3.5	34	10.0	11,350 2.4		1,347	7.8

Geographic Distribution of Small Business Loans

FNB-Howell lends to businesses throughout its assessment area. This conclusion is based on a documented analysis performed by the bank. The geographic analysis showed that all but two census tracts included business loans originated by FNB-Howell. Of particular focus was small business lending in the two moderate-income areas, and this proved that FNB-Howell makes a notable portion of its small loans in the moderate-income tracts. Approximately 28.7% of the 536 small business loans outstanding, as of June 1996, in the bank's assessment area were made to customers located in the two moderate income census tracts.

Responses To Complaints:

- FNB-Howell has not had any complaints since the prior examination.

