



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

July 31, 2012

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

New Buffalo Savings Bank, FSB  
Charter Number 706624

45 N. Whittaker Street  
New Buffalo, MI 49117-1135

Office of the Comptroller of the Currency

2001 Butterfield Road, Suite 400  
Downers Grove, IL 60515

**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.

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

The major factors supporting the institution's rating:

- Lending in the assessment area is reasonable.
- The institution's loan to deposit ratio is more than reasonable.
- The borrower distribution of residential real estate loans is more than reasonable.
- The institution's involvement in community development activity has a positive impact on the institution's CRA rating.
- The institution does not have any CRA related complaints.

**SCOPE OF EXAMINATION**

This CRA Performance Evaluation is an assessment of New Buffalo Savings Bank's ability to help meet the credit needs of its community. The institution was evaluated under the Small Savings Association examination procedures, which consist of a lending test that evaluates the institution's record of helping to meet the credit needs of its AA through its lending activities.

The lending test is based on performance within their primary loan product. The institution's primary lending product is residential real estate loans. This lending category accounts for the majority of all loan originations during the evaluation period. Seventy-six percent of the number of loan originations, and 55 percent of the dollar amount of loan originations are residential real estate loans. The table below illustrates the composition of loan originations by loan type. The institution reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The data was tested and found to be reliable; therefore, it was used in our lending analysis.

<b>NBS's Loan Originations by Loan Type</b>				
<b>Loan Category</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Residential Loans	645	76	\$40,964,648	55
Commercial Loans	165	20	\$29,182,179	44
Consumer Loans	34	4	\$5,924,334	1
<b>Total Originations</b>	<b>844</b>	<b>100</b>	<b>\$74,457,337</b>	<b>100</b>

Source: Bank Records from January 2009 through June 2012

## DESCRIPTION OF INSTITUTION

New Buffalo Savings Bank, FSB, (NBS) is a federally chartered mutual savings association with total assets of \$92 million as of June 30, 2012. Net loans and leases represent 77 percent of total assets, primarily consisting of real estate loans. Residential real estate loans, which are the institution’s primary product, make up approximately half of the loan portfolio.

NBS operates three full services offices in the state of Michigan, one of which was opened since the prior evaluation. The newest branch was opened during October of 2006 in Sawyer. The institution’s main office is located in New Buffalo and the other is in Three Oaks. ATM services are offered at all office locations as well as at an offsite kiosk located in the Township of New Buffalo.

There are currently no legal or financial impediments to the institution’s ability to meet the credit needs of its assessment area. NBS was rated Outstanding at its last CRA evaluation as of May 31, 2005.

## DESCRIPTION OF ASSESSMENT AREA

NBS has one assessment area (AA) comprised of five contiguous geographies - three of which are located in the southwestern portion of Michigan and two of which are in Northern Indiana. The portion in Michigan is in Berrien County and the portion in Indiana is in La Porte County. Although the institution does not have a branch in the Indiana portion, including the two Indiana geographies in the AA is reasonable given their close proximity to NBS’s two offices and the fact that it does not cause the AA to extend substantially beyond the MSA or state boundary. The institution’s AA remains unchanged since the prior evaluation.

The table below provides information regarding the number and percentage of families by income level living in the AA as of the 2000 census. The 2000 census information shows that of the total families (6,197), 771 are low- income and 1,064 are moderate-income. Additionally, 6 percent of households are below poverty level and unemployment in Berrien County is currently at 9.5 percent. Owner occupied units represent 59.8 percent of total housing units in the AA. Rental housing represents 12.4 percent of total housing.

Demographic Information for Full Scope Area: New Buffalo Savings Bank AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	5	0.00	0.00	80.00	20.00	0.00
Population by Geography	21,507	0.00	0.00	68.08	31.92	0.00
Owner-Occupied Housing by Geography	7,370	0.00	0.00	68.74	31.26	0.00

Business by Geography	1,554	0.00	0.00	83.46	16.54	0.00
Farms by Geography	109	0.00	0.00	81.65	18.35	0.00
Family Distribution by Income Level	6,197	12.44	17.17	22.11	48.28	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	1,835	0.00	0.00	69.86	30.14	0.00
Median Family Income	47,825	Median Housing Value		130,890		
HUD Adjusted Median Family Income for 2010	56,468	Unemployment Rate updated US		9.5%		
Households Below Poverty Level	6%	Labor Dept.*				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2010 HUD updated MFI and US Dept. of Labor

NBS offers a wide range of traditional deposit products and services. The institution ranks 8<sup>th</sup> in deposit market share among 9 financial institutions located in the AA. Competition from larger regional banks has increased throughout the evaluation period. Deposit market share information is not meaningful for the Indiana portion of the AA because the institution does not have a branch there.

Employment opportunities exist in Michigan City and La Porte, Indiana, as well as in Benton Harbor and St. Joseph, Michigan; however, these cities are all outside of the banks AA. The AA is primarily rural with no major industrial activity. Communities served within the AA consist primarily of vacation homes and resorts located mainly on or near Lake Michigan.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

NBS’s loan to deposit (LTD) ratio is more than reasonable. We analyzed this ratio, along with comparisons to other similarly sized institutions. Loan volumes are considered indicators of whether the level of lending is reasonable in light of capacity to lend and lending opportunities in the assessment area.

As of March 31, 2012, the institution’s LTD ratio was 103 percent. NBS has maintained an average loan to deposit ratio of 113.95 percent over the 16 quarters ending December 31, 2011. The banks peer group LTD ratio during this same time period ranged from 89.9 percent to 101.6 percent. NBS’s high ratio is attributed to strong loan demand during the evaluation period and the institution’s willingness and capacity to meet that loan demand.

### Lending in Assessment Area

A majority of all loans originated by NBS are to customers within its AA. NBS’s lending to customers within the AA for all loan types is reasonable. Our community contact stated that affordable housing and small business loans would help the community at this time. The following table details the bank’s lending within the AA based on the number of loan originations and dollar volume during the evaluation period. Approximately 69 percent of the number and 77 percent of the dollars of loans

originated during the evaluation period were within the AA. This reflects a reasonable response to community credit needs.

<b>Lending in NBS AA</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	%	\$	%	\$	%	%
Residential RE	53	68.83	24	31.17	100	10,404	76.52	3,193	23.48	100
Totals	53	68.83	24	31.17	100	10,404	76.52	3,193	23.48	100

Source: Reported under HMDA, 100 percent of loans.

### Lending to Borrowers of Different Income Levels

The borrower distribution of NBS’s home mortgage loans reflects more than reasonable distribution among all borrowers in the AA

<b>Borrower Distribution of Residential Real Estate Loans</b>												
Borrower Income Level	Low		Moderate		Middle		Upper		Peer Aggregate HMDA Lending			
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	Low	Moderate	Middle	Upper
Home Purchase	12.44	6.45	17.17	6.45	22.11	6.45	48.28	80.65	5.00	12.08	14.17	68.75
Home Improvement	12.44	11.11	17.17	22.22	22.11	22.22	48.28	44.44	2.70	18.92	29.73	48.65
Refinance	12.44	10.00	17.17	18.33	22.11	18.89	48.28	52.78	4.11	8.73	16.58	70.57

Our evaluation focuses on the institution’s lending performance to low- and moderate-income borrowers in the AA as compared to the aggregate industry percentage distribution. We also compared NBS performance to the level of low- and moderate-income families within the AA. Approximately 12.5 percent of the families in the AA are considered low-income and 17 percent are considered moderate-income families. Additionally as stated above 6 percent of households in the AA are living below poverty level and unemployment in the AA is high at 9.5 percent making home ownership difficult for low-income and moderate-income borrowers. Based on this information, home mortgage loan opportunities for low- or moderate-income families within the AA are somewhat limited. These factors were considered in the home mortgage analysis.

### Home Purchase

The borrower distribution of home purchase loans in the AA is reasonable. The distribution of home purchase loans to low-income borrowers is above the aggregate industry percentage distribution. However, the distribution of home purchase loans to moderate-income borrowers is below the aggregate industry percentage distribution.

The institution's performance is also well below the percentages of low- and moderate-income families living in the AA. Performance context information above mitigates NBS's performance as compared to the demographic comparators. High unemployment and poverty levels restrict those borrowers' ability to qualify for purchase loans, which are usually larger in dollar amount. The institution's distribution of home purchase loans to both low and moderate-income borrowers meets standards of satisfactory performance.

### **Home Improvement**

The borrower distribution of home improvement loans in the AA is more than reasonable. The distribution of home improvement loans to low- and moderate-income borrowers exceeds the aggregate industry percentage distributions. In addition, the distribution was near the percentage of low-income families living in the AA and exceeded the percentage of moderate-income families living in the AA. Performance context information did not impact home improvement loans as adversely as home purchase and home refinance loans because they are typically smaller in size, and the market primarily includes borrowers that are existing homeowners. The institution's distribution of home improvement loans to both low and moderate-income borrowers exceeds standards of satisfactory performance.

### **Home Refinance**

The borrower distribution of home refinance loans in the AA is more than reasonable. The distribution of home refinance loans to low- and moderate-income borrowers exceeds the aggregate industry percentage distributions. The distribution of home refinance loans is relative to the percentage of low-income and moderate-income families living in the AA, and the performance context information above strengthens this data. Despite the unemployment and poverty rates in the AA, the institution's performance with home refinance loans is stronger as compared to home purchase loans because the borrowers are typically existing homeowners. Performance may not be as strong as home improvement loans because the dollar amount of the loans is typically larger. The institution's distribution of home refinance loans to both low and moderate-income borrowers greatly exceeds standards of satisfactory performance considering their peer data and the performance context.

### **Geographic Distribution of Loans**

There are no low- or moderate-income geographies within the institution's AA; therefore, an analysis of geographic distribution of loans would not be meaningful.

### **Qualified Investments and CD Services**

Management of NBS is actively involved with various community organizations that meet the definition of community development. The institution's involvement with CRA related services are not mandated for an institution of NBS's size, but are commendable and demonstrate a genuine commitment to the community. This reflects favorably on the institution's CRA performance.

Of note is management's participation in two local affordable housing projects. The institution's involvement consisted of assisting with entitlement approvals, utility extensions, and limited financing to the property owner and the developer. One of the housing projects is near the casino and will provide 240 low- and moderate-income rental units for personnel who work there. Currently many employees have to drive 35-40 miles each way to work every day. The second project is an affordable assisted living housing project for low- and moderate-income seniors. It is anticipated that the project will have 100 units with a family physician medical facility.

### **Responses to Complaints**

The institution did not have any complaints related to its CRA performance.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.