



## **PUBLIC DISCLOSURE**

March 25, 2015

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

Wolverine Bank, Federal Savings Bank  
Charter Number 702620

5710 Eastman Avenue  
Midland, MI 48640

Office of the Comptroller of the Currency

200 Public Square Suite 1610  
Cleveland, OH 44114-2301

**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 Satisfactory**

Summarize the major factors supporting the institution's rating.

- The Loan-to-Deposit ratio is more than reasonable and exceeds other similarly situated institutions.
- The majority of loans are within the bank's assessment area (AA).
- The bank's record of lending to borrowers of different income levels is reasonable.
- Wolverine Bank's geographic distribution of loans in the Midland County AA is reasonable and meets the standards for satisfactory performance.

## **SCOPE OF EXAMINATION**

We evaluated Wolverine Bank (Wolverine or bank) using small bank Community Reinvestment Act (CRA) procedures. We evaluated the bank's performance in meeting the credit needs of its AA based on the lending test.

The prior CRA evaluation was as of May 29, 2012 and used lending data through 2011 and community development (CD) information through May 29, 2012. The scope of our evaluation is from January 1, 2012 through December 31, 2014. The procedures used to assess Wolverine's performance focused on the bank's primary lending products. Based on reports of lending activities over the review period, Reports of Condition and Income, and discussions with senior management, we determined the bank's primary lending focus was home mortgage lending. We found that home improvement, commercial, consumer and farm loans were not a lending focus of the bank as a result, an analysis of this data would not have been meaningful. Therefore, we assessed Wolverine's performance based on home purchase and home refinance lending from January 1, 2012 through December 31, 2014.

In 2013, the Office of Management and Budget (OMB) revised the delineations of metropolitan statistical areas and metropolitan divisions. The new delineations applied as of January 1, 2014. The OMB changes affected the bank's Midland County AA. However, other than the name of the metropolitan statistical area (MSA), the changes did not affect the Saginaw County AA. As a result, we will assess the bank's Midland County AA performance based on the combined lending data of 2012 and 2013 with a separate analysis of 2014 data. Our analysis of the bank's lending performance in the Saginaw County AA will be based on all three years combined. The bank did not have any CD activities during the evaluation period.

When developing conclusions regarding the bank's overall performance, we gave greater consideration to performance in the Midland County AA, which is the bank's primary AA. In addition, we placed more weight on the bank's borrower distribution record than on its geographic distribution record. Low- and moderate-income census tracts (CT) do not represent a substantial portion of the Midland County AA and the Saginaw County AA has no low- or moderate-income CT. We also utilized other supporting information to assist in evaluating the bank's CRA performance. We made

two community contacts to better assess the credit needs in the AAs. Additionally, we used bank records, FDIC deposit market share data, and economic information derived from governmental websites about the AA.

Wolverine is subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA). Prior to the evaluation, we tested the accuracy of the bank's reported HMDA data and found it to be reliable for the purpose of the evaluation.

## **DESCRIPTION OF INSTITUTION**

Wolverine is a federal savings bank headquartered in Midland, Michigan. The bank is a wholly owned subsidiary of Wolverine Bancorp, a single bank holding company also headquartered in Midland. As of December 31, 2014, Wolverine Bank had \$337 million in total assets compared to \$298 million as of December 31, 2013.

Wolverine operates within a tri-county area comprised of Midland, Bay, and Saginaw counties. Each county makes up its own MSA, while Bay County is not an AA of the bank. The bank operated four branch locations during the review period. However, on February 23, 2015, the bank closed one branch in Midland, MI. The branch was a limited service facility with declining business. The bank now operates three branch offices. Two of the three branches are located in Midland County, and one of the two is located at the bank's main office. The two branches offer full banking services Monday through Saturday and include ATMs, and night deposit service. The branch located at the main office offers drive through service. The third branch office is located in Frankenmuth, MI. The branch offers drive through service, however, does not offer Saturday hours or ATM services. In addition to the three branch offices, Wolverine operates a loan center in Troy, MI with services by appointment only.

Wolverine offers a full range of deposit products and services, including checking, savings, and certificates of deposits for individuals and businesses. Additional services include night deposit, on-line and telephone banking, wire transfers, money orders, and cashier's checks.

The bank continues to offer a variety of conventional mortgage loan products. In addition, Wolverine has the ability to provide loans through the Michigan State Housing Development Authority, Federal Home Loan Bank of Indianapolis Home Ownership Opportunities Program grants, government loan programs, and Freddie Mac and Fannie Mae Home Affordable Refinance Program programs. Wolverine also offers commercial and consumer loans. As of the evaluation, the loan portfolio totaled \$305 million, or 91 percent of total assets, consisting primarily of mortgage loans secured by one- to four family residential dwellings, multifamily properties, and nonresidential mortgages.

There are no legal or financial factors impeding the bank's ability to meet the credit needs of the AA. The bank received a "Satisfactory" rating in its last CRA Performance Evaluation dated May 29, 2012.

## DESCRIPTION OF ASSESSMENT AREA(S)

Wolverine Bank has two AAs in the state of Michigan, the Midland County AA and the Saginaw County AA. Each AA meets the requirements of the CRA. Each AA consists of whole and contiguous geographies and does not exclude low- or moderate-income areas.

### Midland County AA

The Midland County AA consists of all of Midland County. As of 2012 and 2013, Midland County was not part of an MSA. However, due to the OMB changes in 2014, Midland County became an MSA, known as the Midland, MI MSA. Though the number of census tracts (CT) did not change, the composition of the tract income levels did change. As indicated in Table 1 for 2012 and 2013, the AA consisted of no low-income tracts, two moderate-income tracts, eight middle-income tracts and nine upper-income tracts. As shown in Table 2 for 2014, the CT included one low-income tract, three moderate-income tracts, ten middle-income tracts, and five upper- income tracts.

Midland County is home to the headquarters of Dow Chemical and Dow Corning, which are primary employers in the AA. Other major employers include Mid-Michigan Health Systems, Northwood University, and Midland Public Schools. Though Dow Chemical and Dow Corning do provide economic stability in the AA, the high level of competition in the local market limits Wolverine's ability to capture the majority of lending and deposits. Specifically, Chemical Bank provides the majority of competition within the AA, holding 64 percent of the deposit market share. Other significant competition comes from a large local credit union, along with other banks.

Tables 1 and 2 below highlight the demographics of the AA and provides information on the changes in the AA.

<b>Table 1 - Demographic Information for Midland County 2012-2013</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	19	0.00	10.73	42.11	47.37
Population by Geography	83,629	0.00	7.26	37.19	55.55
Owner-Occupied Housing by Geography	25,710	0.00	4.97	37.61	57.42
Businesses by Geography	5,831	0.00	12.21	34.57	54.22
Farms by Geography	282	0.00	1.77	49.65	48.58
Family Distribution by Income Level	23,062	15.93	12.75	19.99	51.32
Census Median Family Income (MFI)		51,613	Median Housing Value		\$134,568
FFIEC Estimated 2014 MFI		\$51,700	Families Below the Poverty Level		7.58%
Unemployment Rate – Seasonal Unadjusted December 2013					6.6%

Source: 2010 U.S. Census, 2014 FFIEC updated MFI, and 2013 U.S. Bureau of Labor Statistics.

Table 2 - Demographic Information for Midland County 2014					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	19	5.26	15.79	52.63	26.32
Population by Geography	83,629	2.89	13.87	44.58	38.67
Owner-Occupied Housing by Geography	25,710	2.00	12.52	46.25	39.24
Businesses by Geography	5,045	5.67	19.29	37.68	37.36
Farms by Geography	242	0.41	18.60	57.02	23.97
Family Distribution by Income Level	23,062	20.69	17.69	19.95	41.67
Census Median Family Income (MFI)	63,299	Median Housing Value		\$134,568	
FFIEC Estimated 2014 MFI	\$66,100	Families Below the Poverty Level		10.92%	
Unemployment Rate – Seasonal Unadjusted December 2014					4.6%

Source: 2010 U.S. Census, 2014 FFIEC updated MFI, and 2014 U.S. Bureau of Labor Statistics.

### Saginaw County AA

As of 2012 and 2013, the Saginaw County AA was part of the Saginaw-Saginaw Township North, MI MSA. However, the name of the MSA changed as of 2014 to the Saginaw, MI MSA. The 2014 OMB revisions did not change the demographic characteristics of the MSA. The AA is comprised of three CT. The three CT include one middle- and two upper-income tracts and are located in the far eastern side of the county. One tract includes the City of Frankenmuth. The remaining two tracts are rural.

Wolverine has a limited presence in the Saginaw County AA. As indicated, the bank has a small branch office, which is located in Frankenmuth, MI. Geographic barriers such as Interstate 75, M47, and the Saginaw and Tittabawassee rivers separate portions of the county and limit the ability to serve the entire AA from a lending and deposit perspective. Wolverine also faces significant competition from a large credit union headquartered in Frankenmuth, MI. In addition, Wolverine has significant competition from larger banks. According to FDIC deposit market share data, there are 17 banks with 57 offices located in the AA. Wolverine ranks fifteenth with .89 percent of deposits. The top five banks hold 68 percent of the deposits.

Per the June 2015 Moody’s Analytics report, top employers in the county include Nexteer Automotive, Covenant Healthcare, St. Mary’s Medical Center, Frankenmuth Insurance and Meijer Inc.

Table 3 highlights the demographics of the AA for the entire evaluation period.

<b>Table 3 - Demographic Information for Saginaw County 2012 – 2014</b>					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	3	0	0	33.33	66.67
Population by Geography	14,896	0	0	40.50	59.50
Owner-Occupied Housing by Geography	4,555	0	0	38.73	61.27
Businesses by Geography	1,185	0	0	37.97	62.03
Farms by Geography	131	0	0	29.01	70.99
Family Distribution by Income Level	4,111	8.98	14.16	20.90	55.97
Census Median Family Income (MFI)		53,171	Median Housing Value		159,920
FFIEC Estimated 2014 MFI		53,600	Families Below the Poverty Level		5.30
Unemployment Rate – Seasonal Unadjusted December 2014					5.5%

Source: 2010 U.S. Census, 2014 FFIEC updated MFI, and 2014 U.S. Bureau of Labor Statistics

## Community Contacts

During the examination, the OCC contacted one local economic development organization inside each AA to get a better understanding of the general community credit and development needs, and discuss local economic conditions. In both AAs, the bank has the opportunity to provide financial education to local individuals and provide grants to support the organizations.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

Wolverine Bank's performance under the lending test is satisfactory. When deriving our conclusions, we considered the level of competition the bank faces within each AA. We also considered the number of low- and moderate-income tracts within the Midland County AA. Additionally, we also considered Wolverine's limited presence within the Saginaw County AA.

### Loan-to-Deposit Ratio

Wolverine Bank's loan-to-deposit (LTD) is more than reasonable. The quarterly LTD averaged 143.11 percent during 12 quarters from March 1, 2012 through December 31, 2014. Wolverine Bank maintained the highest ratio compared to other similarly situated institutions. The average LTD ratio of peer banks during the same evaluation period was 74.14 percent. Peer banks included local small community banks with similar asset size, products, and branch networks.

### Lending in Assessment Area

The majority of loans originated by Wolverine are inside the bank’s AAs and meet the standard for satisfactory performance. As shown in table 4, the bank originated a total of 50.26 percent of the loans by number and 47.13 percent by dollar amount within the AAs during the review period.

Table 4 - Lending in the Midland and Saginaw Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
Home Purchase	306	52.94	272	47.06	578	51,376	54.25	43,318	45.75	94,694
Home Refinance	375	48.26	402	51.74	777	65,764	42.74	88,091	57.26	153,855
Totals	681	50.26	674	49.71	1355	117,140	47.13	131,409	52.87	248,549

Source: HMDA data 2012-2014

### Lending to Borrowers of Different Incomes

The distribution of loans among borrowers of different income levels throughout the AAs is reasonable.

#### Midland County

The bank’s lending to borrowers of different income levels is reasonable and meets the standard for satisfactory performance. As shown in Table 5, Wolverine’s level of home purchase and home refinance loans to low- and moderate-income borrowers was equivalent to peer group performance. Additionally, the bank’s home purchase and home refinance loans to moderate-income borrowers slightly exceeded peer aggregate data.

Table 5 - Borrower Distribution of Residential Real Estate Loans in Midland County AA 2012-2013								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans
Home Purchase	6.75	4.95	14.26	15.77	18.74	13.96	46.20	60.81
Home Refinance	3.42	3.08	9.77	11.38	15.77	15.08	56.25	66.77
Total	4.65	3.83	11.43	13.30	16.87	14.57	52.53	64.30

Source: Combined data reported under HMDA for 2012 and 2013; Combined 2012 and 2013 Peer Mortgage Aggregate. Total percentage of bank and peer loans without reported income - 4.01 and 14.52 respectively.

In 2014, Wolverine's distribution of home purchase and home refinance loans to low- and moderate-income borrowers reflects reasonable penetration among borrowers of different income levels. As shown in Table 6, home purchase and home refinance loans exceed peer mortgage aggregate figures for low-income households. Though the percentage of the bank's home refinance loans to moderate-income borrowers is slightly lower than peer, the bank's percentage of home purchase loans exceeds peer aggregate for moderate-income borrowers.

<b>Table 6 - Borrower Distribution of Residential Real Estate Loans in Midland County AA 2014</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans
Home Purchase	12.14	24.36	17.49	20.51	18.45	11.54	36.18	38.46
Home Refinance	10.60	10.71	16.85	14.29	21.33	21.43	35.05	39.29
Total	11.57	20.00	17.25	18.18	19.52	15.45	35.76	38.18

Source: Data reported under HMDA for 2014; 2014 Peer Mortgage Aggregate Data. Total percentage of bank and peer loans without reported income – 8.18 and 15.90 respectively.

### Saginaw County

Given the level of competition and the bank's limited presence, Wolverine's distribution of home mortgage loans made within the Saginaw County AA is reasonable. As shown in Table 7, the bank's performance was significantly lower than peer mortgage aggregate percentages as the bank did not originate or purchase any home purchase loans to low- or moderate-income borrowers in 2012 through 2013. In addition, the percentage of home refinance loans to moderate-income borrowers was below peer. However, the percentage of home refinance loans to low-income borrowers exceeded the peer group performance.

<b>Table 7 – Borrower Distribution of Residential Real Estate Loans in Saginaw County AA in 2012-2014</b>								
Geographic Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans
Home Purchase	4.62	0.00	17.73	0.00	25.43	33.33	43.35	66.67
Home Refinance	4.11	9.09	13.98	9.09	20.43	9.90	50.24	59.09
Total	4.28	7.14	15.24	7.14	22.11	14.29	47.92	60.71

Source: Data reported under HMDA for 2012, 2013 and 2014; 2014 Peer Mortgage Aggregate Data. Total percentage of bank and peer loans without reported income - 10.72 and 10.44 percent respectively.



## Geographic Distribution of Loans

Wolverine’s geographic distribution of loans among geographies of different income levels is reasonable and meets the standard for satisfactory performance.

### Midland County AA

Wolverine’s geographic distribution of loans in the Midland County AA is reasonable, considering the level of competition and limited number of low- and moderate-income tracts within the AA. As shown in Table 8, the bank’s percentage of home purchase and home refinance originations and purchases in moderate-income geographies was consistent with peer mortgage aggregate performance.

Geographic Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans
Home Purchase	0.00	0.00	6.57	4.05	26.73	18.02	66.70	77.93
Home Refinance	0.00	0.00	4.34	2.77	27.98	21.54	67.68	75.69
Total	0.00	0.00	5.17	3.28	27.51	20.04	67.32	76.68

Source: Combined data reported under HMDA for 2012 and 2013; Combined 2012 and 2013 Peer Mortgage Aggregate.

In 2014, Wolverine’s geographic distribution of loans in the Midland County AA is reasonable. As illustrated in Table 9, the bank did not originate or purchase any home refinance loans in low-income tracts. However, the percentage of the bank’s home purchase lending in both the low- and moderate-income tracts was consistent with the percentages of peer mortgage aggregate data. Additionally, the percentage of the bank’s home refinance loans exceeded the percentage of the peer aggregate percentage within the moderate-income tracts.

Geographic Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans	% Peer Mortgage Aggregate Data	Bank % of Number of Loans
Home Purchase	1.60	1.28	13.27	11.54	40.34	46.15	44.81	41.03
Home Refinance	1.77	0.00	12.64	17.86	43.21	42.86	42.39	39.28
Total	1.66	.91	13.03	12.73	41.40	46.36	43.91	40.00

Source: reported under HMDA for 2014; Peer mortgage data 2014.

Saginaw County

The Saginaw County MSA had no low- or moderate-income tracts during the review period. Therefore, we did not assess Wolverine's performance for geographic distribution in the Saginaw County AA, as the analysis would not be meaningful.

**Responses to Complaints**

Wolverine has not received any written complaints related to its Community Reinvestment Act performance during this evaluation period.

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

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