



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

**October 06, 2008**

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

### **Signature Bank, National Association**

Charter Number: 24264

4607 West Sylvania Avenue  
Toledo, OH 43623

### **Office of the Comptroller of the Currency**

Cleveland/Detroit Field Office  
3 Summit Park Drive; Summit Office Park, Suite 530  
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**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**

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Outstanding.**

Assigned ratings are based on the following conclusions:

- A majority of Signature Bank, National Association's (Signature Bank) business loans were originated in the assessment area (AA).
- The geographic distribution of loans reflects a reasonable dispersion throughout the AA, including low- and moderate-income geographies.
- The bank's loan-to-deposit ratio is more than reasonable and averaged 90.6 percent during the evaluation period extending from the last Performance Evaluation dated July 15, 2003 through the start of this evaluation of October 6, 2008.
- The distribution of loans reflects reasonable penetration to businesses of different sizes. The bank is an active lender under the Ohio Small Business Linked Deposit Program which is directed at small businesses.
- The performance of Signature Bank's community development (CD) activity over the evaluation period demonstrated outstanding responsiveness to CD needs in the AA. During the evaluation period the bank's CD lending and qualified investments in the AA were excellent.

### **Scope of Examination**

We evaluated Signature Bank's performance relative to the Community Reinvestment Act (CRA) under the Intermediate Small Bank (ISB) criteria using full-scope ISB examination procedures. The ISB procedures included a lending test and a CD test. The lending test evaluates the bank's record of meeting the credit needs of its AA through lending activity. The CD test evaluates the bank's responsiveness to CD needs in its AA through CD loans, qualified investments, and CD services.

Signature Bank's primary loan product is commercial/business (business) loans. The bank offers consumer and residential mortgage loans on a limited basis. Consumer and residential loans are granted primarily to accommodate existing business customers. Therefore, the bank's CRA performance in meeting the community needs is being evaluated under the context of a business lender. Signature Bank's record of originating business loans was evaluated over the period between January 1, 2004 and June 30, 2008. We evaluated the bank's CD performance from the

date of the last CRA Performance Evaluation of July 15, 2003 through the start of this evaluation of October 6, 2008.

We relied on internal bank reports to assist in this CRA evaluation. In order to ensure the reliability of this information, we performed a data integrity review of business loans. We found the information reliable as presented in the bank's reports. For internal reporting purposes the bank considered loans to non-profit organizations as business loans.

## Description of Institution

Signature Bank is an intrastate banking institution headquartered in Toledo, Ohio. Chartered in April 2002, Signature Bank is a wholly owned subsidiary of Signature Bancorp, Inc., a one-bank holding company. The bank has steadily grown from \$147 million at the time of the last CRA performance evaluation of June 30, 2003, to \$388 million as of September 30, 2008. The bank has one office, which is located in an upper-income tract. The bank does not own or operate any automated teller machines (ATMs) or drive-through facilities. As a convenience for its customers, Signature Bank provides debit cards and online banking services with no fees.

Although Signature Bank offers banking services to everyone, its business strategy is focused on business lending in Lucas County. With its commercial customer focus, consumer and residential mortgage lending activity has been generally limited to making accommodation loans to existing business customers and to individuals who live in close proximity to the bank's office. This is supported by the summary of the bank's loan portfolio in Table 1. The bank offers Small Business Administration (SBA) loans and is an active participant in the Ohio Small Business Linked Deposit Program, which is directed at small businesses. The bank is also active in lending to non-profit organizations, many of which directly or indirectly benefit, low- and moderate-income people.

As of September 30, 2008, Signature Bank's loan portfolio totaled \$325 million and represented 84 percent of assets. Business loans represented 80 percent of the loan portfolio. The bank's tier one capital totaled \$28 million. There are no legal or financial factors that would impede Signature's ability to help meet the credit needs of the community it serves. However, the bank's ability to provide services to cash intensive businesses throughout Lucas County is limited given the bank has only one office.

<b>Table 1 Signature Bank Loan Portfolio as of September 30, 2008</b>		
Commercial/Business Loans	\$260,768	80.2%
Residential Mortgage Loans	\$43,833	13.5%
Consumer Loans	\$19,221	5.9%
Other Miscellaneous Loans	1,208	0.4%
<b>Total Loans Outstanding</b>	<b>\$325,030</b>	<b>100.0%</b>

*Data Source: Internal Bank Report.*

## Description of Assessment Area

Signature Bank's AA is comprised of Lucas County, which is located on the western edge of Lake Erie and borders the lower peninsula of the State of Michigan. The AA is comprised of 128 census tracts, which includes: 16 low-income tracts, 35 moderate-income tracts, 51 middle-income tracts, and 26 upper-income tracts. The AA meets the requirements of the CRA regulation and does not reflect illegal discrimination or arbitrarily exclude low- or moderate-income areas. Table 2 provides additional demographic information regarding the AA.

Lucas County contains both urban and rural areas, but is primarily urban. The AA contains a diverse industry base predominantly made up of medical-care, education, and automotive manufacturing. Major employers include ProMedica Health Systems, Mercy Health Partners, Bowling Green State University, Toledo Public Schools, Chrysler, University of Toledo, Kroger Inc., and General Motors. The local economy is experiencing high unemployment, compared to the State of Ohio and United States unemployment rates. The seasonally unadjusted unemployment rate for Lucas County is 9.2 percent, which is well above the State of Ohio rate of 7.1 percent and the United States overall unemployment rate of 6.1 percent for August 2008.

According to the June 30, 2008 Federal Deposit Insurance Corporation (FDIC) deposit data for the AA, Signature Bank is ranked sixth in deposit market share with 4.8 percent. The top five financial institutions with the largest insured deposit market share in the AA are: KeyBank (27.3 percent), Fifth Third Bank (24.0 percent), Huntington National Bank (17.2 percent), RBS Citizens National Bank (10.1 percent), and National City Bank (9.8 percent). Together, these five banks have 88 percent of the deposit market share in Lucas County. Signature Bank is one of 17 financial institutions serving the AA, which include eight regional banks and nine community banks. In addition, there are a number of credit unions in the AA. The large number of financial institutions in the AA provides a competitive banking environment.

**Table 2 Demographic Information for Assessment Area (Lucas County, OH)**

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	128	12.5	27.3	39.9	20.3	0.00
Population by Geography	455,054	7.4	24.5	42.4	25.7	0.00
Owner-Occupied Housing by Geography	119,487	4.1	20.3	45.7	29.9	0.00
Non-Farm Businesses by Geography	29,152	6.5	16.8	44.8	31.9	0.00
Farms by Geography	565	2.8	12.2	38.8	46.2	0.00
Family Distribution by Income Level	117,008	6.8	23.0	42.7	27.5	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	48,157	12.7	34.7	38.8	13.8	0.00
Median Family Income	\$50,561	Median Housing Value				\$93,045
HUD Updated Median Family Income for 2008	\$60,100	<u>Unemployment Rate -August 2008 (Not Seasonally Adjusted)</u>				9.2%
Households Below the Poverty Level	13.6%	Lucas County				7.1%
		State of Ohio				6.1%
		United States				

DataSource: 2000 U.S. Census and 2008 Business Geodemographic Data.

## Conclusions with Respect to Performance Tests

### LENDING TEST

Signature Bank’s performance under the lending test is satisfactory. A majority of the loans originated were within the bank’s AA. Signature Bank’s record of originating loans reflected adequate dispersion among AA geographies. The bank’s loan-to-deposit ratio over the evaluation period is more than reasonable and shows a commitment to lend in the communities it serves. The bank’s record of originating loans reflected reasonable penetration among businesses of different sizes.

### Loan-to-Deposit Ratio

Signature Bank’s loan-to-deposit ratio over the evaluation period is more than reasonable and demonstrates a willingness to provide lending services. This is supported by the bank’s loan-to-deposit ratio being above the peer group for banks in the State of Ohio. Given the lack of banks of similar size in the AA, we considered banks in the same peer group for the whole State of Ohio. Over the evaluation period, Signature Bank’s loan-to-deposit ratio has steadily increased from 82.4 percent (third quarter 2003) to 97.1 percent (third quarter 2008). Signature Bank’s average loan-to-deposit ratio over this period was 90.6 percent. This compares well to the peer level average as of June 30, 2008 of 87.9 percent.

## Lending in Assessment Area

Signature Bank’s lending in the AA meets the standard for satisfactory. A majority of the number and dollar amount of business loans were originated within the bank’s AA. As depicted in Table 3, 76.7 percent of the number and 71.1 percent of the dollar amount of business loans were originated in Signature Bank’s AA.

<b>Table 3 - Lending in Signature Bank’s AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000’s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Business Loans	1,095	76.7%	332	23.3%	1,427	\$319,034	71.1%	\$129,597	28.9%	\$448,631

*Source: Internal Bank Reports from years 2004 through June 30, 2008.*

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

The bank’s distribution of loans reflects a reasonable penetration to businesses of different sizes. Loans to non-farm businesses with revenue of \$1 million or less was 48.3 percent of the total loans granted and 36.4 percent of the total dollar amount. This compares unfavorably to the percentage of businesses in the AA with revenues of \$1 million or less of 64.2 percent (See Table 4). Although the percentage of loans to businesses with revenue of \$1 million or less was significantly below the demographic information, this is mitigated by the active role the bank is taking in the Ohio Small Business Linked Deposit Program, which is directed at small businesses. Furthermore, the bank is an active lender to non-profit organizations, many of which report revenue above \$1 million, but directly assist low- and moderate-income people.

The bank has participated in the Ohio Small Business Linked Deposit Program over the evaluation period. This program provides small businesses with below market interest rates to help stimulate entrepreneurship and help grow the economies of towns in the State of Ohio. Over the evaluation period the bank granted 37 loans under this program with a total dollar amount of \$10.6 million. The bank has increased the number and dollar amount of loans under this program over each of the past three years. Of the 37 loans granted under this program during the evaluation period, 34 loans were granted in year 2007 and year-to-date September 2008.

Signature Bank is an active lender to non-profit organizations. The bank reports non-profit organization loans as business loans for internal reporting purposes. Since many non-profit organizations receive federal, state, and local government funding, in addition to donations, their revenues are often above \$1 million, which brings the bank’s overall percentage down for lending to businesses with revenue of \$1 million or less. Many of these organizations directly assist low- and moderate-income people and meet the CRA regulation criteria. The bank received credit for this type of lending activity under the CD lending section of this evaluation.

<b>Table 4 - Borrower Distribution of Loans to Businesses in Signature Bank's AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Non-Farm Businesses	64.2%	6.1%	29.7%	100%
% of Bank Loans in AA by #	48.3%	51.7%	0.0%	100%
% of Bank Loans in AA by \$	36.4%	63.6%	0.0%	100%

*Source: Bank Reports and 2008 Business Geodemographic Data. The percentage for the number of the loans and dollar amount of bank loans represents the average percentage for years 2004 through 2007 and year-to-date June 30, 2008.*

### Geographic Distribution of Loans

Signature Bank has a reasonable geographic distribution of business loans in the bank's AA, in light of its size and branch network. The percentage of business loans made in low-income tracts was 5.4 percent, which is comparable with the percentage of businesses in low-income tracts of 6.5 percent. This reflects a good performance in lending in low-income areas. The percentage of loans made in moderate-income tracts of 9.8 percent was significantly below the percentage of businesses in moderate-income tracts of 16.8 percent, which reflects a less than satisfactory performance (See Table 5). Signature Bank has only one office which is located in an upper-income tract. In arriving at our overall conclusion we considered the bank's size and the fact the bank has just one office, which limits the bank's ability to provide convenient service to certain businesses within its AA requiring cash needs on a daily basis.

<b>Table 5 - Geographic Distribution of Loans to Businesses in Signature Bank's A A</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Non-Farm Businesses	% of Number of Loans						
Business Loans	6.5%	5.4%	16.8%	9.8%	44.8%	39.0%	31.9%	45.8%

*Source: Internal bank reports for years 2004 through 2007 and year-to-date as of June 30, 2008; 2008 Business Geodemographic Data.*

### Responses to Complaints

There were no consumer complaints relating to the bank's CRA performance during the evaluation period.

### COMMUNITY DEVELOPMENT TEST

Signature Bank is rated outstanding under the CD test. Signature Bank exhibited excellent performance in providing CD lending and qualified investments within the bank's AA. The bank's performance for CD services is reasonable. All CD related activity in this report benefited the bank's AA.

Although Signature Bank has been open for business just over six years, management has made a strong commitment to meet the community needs through CD loans, qualified investments, and participating in CD services. The bank demonstrated excellent responsiveness to lending to non-profit organizations that are involved in a variety of services for low- and moderate-income people including affordable housing.

There are a great number of CD activities banks can participate in for the Lucas County AA. Of the total number of census tracts in Lucas County, 40 percent are low- and moderate-income tracts. The AA is comprised of a number of organizations that provide affordable housing, services for low- and moderate-income people, and economic development activities.

### **Community Development Loans**

The bank's CD lending performance over the evaluation period is excellent. Signature Bank is an active lender to non-profit organizations, many of which assist in providing affordable housing, promotes economic development, and a broad range of services to help meet the needs of low- and moderate-income people. CD lending consists of lending that supports affordable housing targeted to low- and moderate-income individuals, promote economic development, and activities to revitalize or stabilize certain geographic areas.

During the evaluation period the bank made 26 CD loans for a total dollar amount of \$13 million and one letter of credit for \$102,386. This represents a high level of CD lending. The following are examples of CD loans made by the bank.

#### ***Affordable Housing***

The bank made a loan to an organization that is involved in providing affordable housing. The organization had trouble selling two newly constructed homes and decided to rent them under the U.S. Department of Housing Urban Development (HUD) Section 8 program. The bank made a loan for \$150,000 to finance these two homes.

The bank is very involved in an organization that also provides affordable housing. Lending activity by Signature Bank to this organization includes: line-of-credit to support funding of home construction, a letter of credit to support residential lot development, financing of this non-profit organization's main office building, and various small dollar loans to assist the organization funding needs to carry out its mission of providing affordable housing. In total, the bank made eight loans to this organization for a total dollar amount of \$1.0 million over the evaluation period. In addition, a standby letter of credit was provided by the bank for \$102,386.

The bank granted a \$500,000 line-of-credit to a non-profit organization to assist in funding home mortgage loans in the community. This non-profit organization is a Community Development Financial Institution (CDFI), one of only three in Lucas County whose goal is to promote homeownership through an array of loan products, housing and credit counseling, grants, etc. Through the efforts of this organization affordable housing is provided to low- and moderate-income people who otherwise would not be able to qualify under normal bank underwriting standards.

The bank provided loan financing to a company that operates an apartment complex which is

HUD financed and provides low-income housing under Section 8 of the National Housing Act. Over the evaluation period the bank provided three loans for \$250,000 to help meet the company's cashflow needs.

***Organizations Providing Services to Low- and Moderate-Income People***

The bank provided loans to a non-profit agency that provides substance abuse treatment primarily to low- and moderate-income people. The bank has been an active lender to this organization by providing loans to provide working capital, purchase new software, and to finance a building and provide building improvements. In total, four loans were granted over the evaluation period for \$1.0 million.

Loans were provided to a nonprofit organization engaged in family counseling, substance abuse treatment, domestic violence counseling, vocational training, etc. The majority of the people this organization serves are low- and moderate-income individuals and families. The bank has provided loans to this organization to provide working capital, to fund capital expenditures, refinance a mortgage loan and equipment loan. In total the bank granted four loans for \$3.9 million.

Signature Bank granted a \$230,000 loan to a nonprofit organization that offers homeless women and their children the time and resources needed to prepare for their move to permanent housing and self-sufficiency. This loan enabled this organization to renovate an existing carriage home which allowed for the expansion for two additional families to live in this housing complex.

***Other Activity***

The bank has made various other loans that had CD characteristics, but did not qualify as a CD loan under the technical definition. The bank provides financing for single-family rental properties that are located in low- and moderate-income tracts, which provides affordable rental housing for low- and moderate-income people.

**Qualified Investments**

The level of qualified investments by the bank over the evaluation period represents excellent responsiveness to the community needs. Signature Bank had a significant dollar amount of qualified investments. Qualified investments are investments, deposits, membership shares, or grants that have community development as their primary purpose, as defined in the CRA regulation.

The bank purchased an economic development bond in the bank's AA during the evaluation period of \$3.12 million. The bank also made 25 qualified donations for \$96,029. This included \$89,280 of cash donations and \$6,749 of non-cash donations. The bank provided donations to a wide-range of CD activities through organizations involved in: affordable housing, economic development, and organizations involved in providing a variety of services to low- and moderate-income people. The following are examples of some qualifying investments.

***Affordable Housing***

Signature Bank has made annual donations of \$5,000 and \$5,400 as part of an annual fund raising event to build affordable housing in the community. In total, during the evaluation period the bank has made \$16,300 in donations to this organization. The bank has also been very active in providing loan financing to this organization.

***Activities that Promote Economic Development***

Signature Bank made four \$10,000 annual payments of a five-year pledge to help provide funding for a local economic development initiative. The purpose of this initiative is to increase development activity by providing jobs to the local area through assisting businesses, which includes providing access to a variety of financial programs.

***Revitalize or Stabilize a Low- or Moderate-Income Geographies***

Signature bank purchased a \$3.12 million Economic Development Revenue Bond involving a school in a low-income neighborhood designated by the City of Toledo as the Northwest Community Reinvestment Area. The president of the bank has been very involved in this project as a board member of this school. In addition, the bank provided the construction financing for this project.

***Organizations that Provide Services to Low and Moderate-Income People***

The bank provided donations to a wide range of organizations that provided services to low- and moderate-income people. Some examples include: cash donations to two organizations involved in providing food to the needy of \$9,200, raising food donations with an estimated value of \$2,900 for an organization that feeds the hungry, donations of \$5,000 for two non-profit healthcare related organizations that help low- and moderate-income people, and donations of \$3,750 that were directed at two organizations involved with children who are primarily from low- and moderate-income families.

**Community Development Services**

The level of CD services is reasonable. Bank officers serve in leadership positions on organizations that provide community services to low- and moderate-income families and provide technical expertise and financial assistance to these organizations. This includes organizations that provide affordable housing. Bank officers also serve in leadership positions on organizations that are involved in economic and small business development activities. Some examples of organizations that bank employees participated in over the evaluation period include the following.

***Small Business Organizations***

A senior loan officer of the bank serves as an instructor for a Lucas County organization whose goal is to assist small businesses. This organization provides guidance to individuals who want to start their own business and also provides small business financing. The senior loan officer participated in the formation of an asset micro-loan fund for the organization during this evaluation period.

An officer of the bank serves on the board and chairs the investment committee of an organization that promotes economic development. This organization is involved in the linked deposit program that is directed at small businesses, water and sewer revolving loan fund, enterprise zone tax incentive, and other tax incentive programs.

***Affordable Housing***

The bank is very involved in an organization that provides affordable housing for the area. The bank has donated money, provided loans, and bank employees have played a leadership role in this organization. A senior bank officer is on the board of directors of this organization and another employee served as a board member during the evaluation period.

An officer of the bank serves as a board member on a non-profit organization that helps individuals with autism. More than a majority of the people served by this organization are low- and moderate-income. This organization provides housing for adults with autism. The housing is funded in part by HUD.

***Organizations that Assist Low- and Moderate-Income People***

An officer of the bank serves on a non-profit organization that primarily serves low- and moderate-income individuals and families with substance abuse treatment, domestic violence counseling, vocational training, and family counseling. This employee of the bank serves as the president-elect on the board of directors for this organization. The bank has also assisted this organization by providing loan financing.

An employee is a board member and treasurer of an organization that targets area youth by engaging them in community activities directed at those in need, which include services such as: painting, cleaning, landscaping, and other services to low- and moderate-income people.

An officer of the bank serves on the finance committee of an organization specializing in substance abuse treatment. This organization primarily serves low- and moderate-income people.

**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.