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Comptroller of the Currency  
Administrator of National Banks

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## PUBLIC DISCLOSURE

December 29, 1997

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Capital Bank, N.A.**  
Charter Number 18764

5520 Monroe Street  
Sylvania, Ohio 43560

Comptroller of the Currency  
Central District Office  
One Financial Place, Suite 2700  
440 South LaSalle Street  
Chicago, Illinois 60605

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.

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| <b>Glossary of Abbreviations and Terms</b> |   |
|--|---|
| ATM  | Automated Teller Machine  |
| CDC  | Community Development Corporation   |
| CRA  | Community Reinvestment Act  |
| CRA Disclosure                             | Annual disclosure filed by financial institutions as required by the CRA reflecting small business, small farm, and community development loan activity.  |
| HMDA                                       | Home Mortgage Disclosure Act  |
| MSA  | Metropolitan Statistical Area   |
| OCC  | Office of the Comptroller of the Currency   |
| Reported / Reportable Loan                 | Loans reported through annual HMDA and CRA Disclosure reports, namely home mortgage, small business, small farm, and community development loans.   |
| Tier One Capital                           | For regulatory purposes, capital is separated into two major groups. Tier One is an adjusted equity capital while Tier Two considers certain preferred stock and debt instruments. The primary Tier One components are common stock, noncumulative perpetual preferred stock, surplus, undivided profits, net worth certificates, minority interest in unconsolidated subsidiaries, less ineligible deferred tax assets, less ineligible intangible assets. |

## 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 CRA performance of Capital Bank, N.A. prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of December 29, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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 "**Satisfactory record of meeting community credit needs.**" The prior Performance Evaluation dated January 23, 1996 also resulted in an assigned rating of "Satisfactory record of meeting community credit needs."

**Summary of Performance:** Capital Bank, N.A. has affirmatively addressed the credits needs of the community. Key factors in reaching this conclusion are:

- Lending activity has been strong, as evidenced by high loan volumes and loan portfolio growth of 47% in the past two years. Small business lending activity has been good.
- The geographic distribution of loans has been adequate, although lending in moderate-income neighborhoods has been weak. Eighty percent of the number of reported loans and 75% of loan dollars stemmed from the bank's assessment area.
- Community development lending performance has been very strong. A total of \$29 million in community development loans were generated in 1996 and 1997 representing 85% of Tier One Capital. Furthermore, the bank has taken leadership roles in orchestrating some community development financing initiatives and put together creative financing packages.
- Community development investment activity has been relatively high, representing 3.9% of Tier One Capital.
- The bank's services reach all portions of the assessment area, and Capital has provided an adequate level of community development services.

The following table indicates the performance level of **Capital Bank, N.A.** with respect to the Lending, Investment, and Service tests.

| Performance Levels               | Capital Bank, N.A.<br>Performance Tests |                 |              |
|----------------------------------|---|-----------------|--------------|
|                                  | Lending Test*                           | Investment Test | Service Test |
| <b>Outstanding</b>               |   |                 |              |
| <b>High satisfactory</b>         |   | X               |              |
| <b>Low satisfactory</b>          | X                                       |                 | X            |
| <b>Needs to improve</b>          |   |                 |              |
| <b>Substantial noncompliance</b> |   |                 |              |

\* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## Description of Institution

Capital Bank, N.A. (Capital) is a full service commercial bank headquartered in Sylvania, Ohio. With assets of \$670 million at December 31, 1997, Capital serves a portion of the Toledo Metropolitan Statistical Area through a single office. Capital was chartered in 1989 and is a wholly-owned subsidiary of Capital Holdings, Inc., a one-bank holding company.

Capital portrays itself as a “niche” bank, focusing attention on providing high level service to professionals, entrepreneurs and businesses. 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 the close proximity to the bank’s office. No legal impediments which impact the bank’s ability to address community credit needs have been identified. At December 31, 1997 the bank had a loan-to-deposit ratio of 80%, and Tier One Capital was \$33,831. Table 1 recaps the bank’s loan portfolio.

| <b>Table 1 Capital Bank Loan Portfolio December 31, 1997 (\$000's)</b> |           |      |
|--|-----------|------|
| Commercial, Industrial, & Business Loans                               | \$326,880 | 69%  |
| Residential Mortgages  | 121,115   | 25%  |
| Consumer and Home Equity Loans   | 19,311    | 4%   |
| Other Loans  | 10,029    | 2%   |
| Total Loans Outstanding 12/31/97                                       | 477,335   | 100% |

*Source: Capital 12/31/97 Report of Condition*

## Description of Assessment Area

Capital's single assessment area is comprised of portions of Lucas and Wood counties in the northwest section of Ohio, and is within the Toledo Metropolitan Statistical Area (MSA 8400). Management determined that Capital can reasonably serve only portions of the counties and the MSA due to the bank's size and single office location. The assessment area is comprised of 115 census tracts, including eighteen low-income tracts and twenty-four moderate-income tracts primarily concentrated in downtown Toledo. Table 2 provides additional demographic information regarding the assessment area.

| <b>Table 2</b><br><i>Capital Bank's Assessment Area Demographic Data</i>      |              |                              |              |                     |  |
|---|--------------|------------------------------|--------------|---------------------|--|
| <b>TOTAL POPULATION</b> (1990 census data)                                    | 425,073      |                              |              |                     |  |
| <b>AREA INCOME</b>  |              |                              |              |                     |  |
| Toledo MSA 1990 HUD Median Family Income                                      | \$35,775     |                              |              |                     |  |
| Toledo MSA 1997 HUD Adjusted Median Family Income                             | \$44,500     |                              |              |                     |  |
| <b>UNEMPLOYMENT RATES</b><br>(Average of Monthly Seasonally Unadjusted Rates) | 1995 Average | 1996 Average                 | 1997 Average |                     |  |
| Lucas County  | 5.1          | 5.0                          | 5.1          |                     |  |
| Wood County   | 3.9          | 3.7                          | 3.5          |                     |  |
| State of Ohio   | 4.8          | 4.9                          | 4.6          |                     |  |
| <b>CENSUS TRACT CHARACTERISTICS</b><br>(Based on HUD Median Family Income)    | Tracts       | Owner-Occupied Housing Units | Families     | Non-farm Businesses |  |
| Low (below 50% of median)   | Count %      | Count %                      | Count %      | Count %             |  |
| 18 16%  | 5575 5%      | 9207 8%                      | 2,170 15%    |                     |  |
| Moderate (50 - 80% of median)   |              | 15055 14%                    | 18070 16%    | 1,844 13%           |  |
| 24 21%  |              | 53439 50%                    | 51640 47%    | 6,340 44%           |  |
| Middle (80-120% of median)  |              | 32721 31%                    | 32055 29%    | 4,105 28%           |  |
| 48 42%  |              |                              |              |                     |  |
| Upper (over 120% of median)   |              |                              |              |                     |  |
| 25 22%  |              |                              |              |                     |  |
| Total   | 115 100%     | 106790 100%                  | 110972 100%  | 14,459 100%         |  |

*Sources: U.S. Census data; Dun & Bradstreet, Inc. business data; Unemployment data according to Ohio Bureau of Employment Services. Note: Some percentages do not add to 100% due to rounding*

The assessment area is primarily a mix of urban and suburban neighborhoods. Bank management feels that the local economy is strong and stated that their customers have been experiencing business expansion. Unemployment levels have been relatively low, as reflected in Table 2. Prominent industries include automotive, glass production, and medical care. Major employers include Chrysler Corporation (Jeep), General Motors Corporation, Owens-Illinois Corporation, Toledo Hospital and the University of Toledo.

The financial market is highly competitive. Aggregate Home Mortgage Disclosure Act (HMDA) and CRA Disclosure report data reflect that twenty-one institutions had lending volumes in excess of 250 loans in the Toledo MSA in 1996. The primary banks operating in the area and offering commercial financing are Fifth Third Bank of Northwestern Ohio, N.A.; KeyBank, N.A.; Mid-American National Bank & Trust Company; National City Bank; and The Huntington National

Bank. None of the other financial institutions operating in the area are considered to be similar in nature to Capital's single-location business-focus presence.

Our evaluation took into consideration information derived from members of the community. Nine contacts were made, including local government economic development officials; community development corporations focusing attention on economic development, housing, and small business initiatives; a housing advocacy group; local chapters of national advocacy groups; and a community development financial institution. Furthermore, information from contacts made during the past two years by the OCC and the other federal financial regulating agencies was considered. Small (and micro) business financing and housing loans were credit needs identified, and contacts also cited the need for more frequent use of flexible lending guidelines by financial institutions in general.

## Conclusions with Respect to Performance Tests

### Lending Test

#### *Lending Activity*

Lending activity is considered strong, based on the volume of loans generated and loan portfolio growth. Capital's loan portfolio has experienced substantial growth, with growth rates far exceeding peer group banks during each of the past six years. During the past two years, Capital's loan portfolio grew from \$325 million to \$477 million, or 47%. Table 3 details Capital's lending activity for the loan products considered during this evaluation. All 1997 information used within this document is preliminary.

| Table 3<br><i>Capital Bank, N.A. Lending Activity</i> |               |                   |               |
|---|---------------|-------------------|---------------|
| Loan Type   | 1996<br>Count | 1996<br>\$(000's) | 1997<br>Count |
| Home Purchase   | 124           | 20,489            | 149           |
| Home Refinance  | 70            | 11,948            | 59            |
| Home Improvement                                      | 19            | 1,133             | 1             |
| Multifamily   | 5             | 4,063             | 5             |
| Small Business  | 475           | 84,200            | 468           |
| Small Farm  | 1             | 66                | 2             |
| Community Development                                 | 11            | 7,599             | 16            |
| Total Loans   | 705           | 129,498           | 700           |
|   |               |                   | 171,385       |

Sources: HMDA data; CRA Disclosure report data

### Small Business Lending

Capital's small business lending activity has been good. This conclusion is based on: 1) small business loans have represented a significant portion of Capital's lending activity; and 2) the number and dollar amount of small business loans made has been high in relation to the bank's size when compared to other banks in the market. For CRA purposes, *small business loans* are defined as commercial loans originated for \$1 million or less.

Small business loans represent a substantial segment of Capital's commercial loan activity and portfolio. In 1996 and 1997, small business loans represented 78% of the number of commercial loans and 47% of commercial loan dollars originated. Table 3 reflects that Capital made 943 small business loans during 1996 and 1997, representing more than nine loans per week on average (nearly eight per week within Capital's assessment area). This demonstrates that Capital has been active in small business financing, given that the bank has averaged five commercial lenders on staff during the rating period.

Relative to its size, Capital made more small business loans than other local banks. This is consistent with Capital's commercial focus, and confirms that Capital has reasonably addressed small business credit needs. Aggregate 1996 CRA Disclosure report data for Capital and the three other locally-based commercial banks which primarily operate in the Toledo area (Fifth Third Bank of Northwest Ohio, N.A.; Mid-American National Bank & Trust Company; and National City Bank, Northwest) was analyzed. Capital made 8.6 loans per \$10 million it had in average assets in 1996 compared to 5.3 loans per \$10 million in average assets the other three banks made on average. Furthermore, Capital made 14.5 loans per \$1 million of its Tier One Capital at year-end 1996, while the other three banks ranged from 2.7 to 13.2 loans per \$1 million they had in Tier One Capital.

### Housing Related Lending

Mortgage-related lending represents approximately 30% of reported lending activity reflected within Table 3. Regardless, Capital is not an active home mortgage lender. Relative to other banks, its level of activity has been low. In 1996 Capital was ranked number twenty-six in HMDA-reported loan originations in the Toledo MSA. While willing to extend home purchase, home refinance, and home improvement loans when requested, these products are not a focus of the bank, and are not advertised or promoted. Most residential-related financing is done to accommodate business customers.

While not a significant mortgage lender, Capital has provided support to affordable housing initiatives through the provision of a zero-interest loan to Neighborhood Housing Services of Toledo, Inc. for their down-payment Grant Assistance Program. Capital has also supported affordable housing efforts through community development loans, and direct investments as described under the *Investment Test*.

### ***Geographic Distribution of Loans***

Capital's geographic distribution of loans is adequate, although small business lending in moderate-income areas has been weak. The overall conclusion is based on: 1) a high percentage of loans have been made within the assessment areas; 2) the proportion of small business lending in low-, moderate, middle, and upper-income areas has been adequate; and 3) Capital made reportable loans in 81% of the census tracts within the assessment area during the rating period.

As reflected in Table 4, 80% of the number of loans and 75% of loan dollars extended in 1996 and 1997 were made within the assessment area. Furthermore, a review of Capital's small business, HMDA, and community development lending in 1996 and 1997 reflected that the bank made loans in 93 of the 115 assessment area census tracts during the period.

| <b><i>Table 4 Lending In and Outside of Assessment Area (1996-1997)</i></b> |                  |             |           |                            |             |           |
|---|------------------|-------------|-----------|----------------------------|-------------|-----------|
| Loan Type   | Numbers of Loans |             |           | Dollars of Loans (\$000's) |             |           |
|   | In Area          | Out of Area | % In Area | In Area                    | Out of Area | % In Area |
| Home Purchase   | 189              | 84          | 69%       | 34,222                     | 17,900      | 66%       |
| Home Refinance  | 93               | 36          | 72%       | 17,668                     | 5,409       | 77%       |
| Home Improvement  | 18               | 2           | 90%       | 1,319                      | 62          | 96%       |
| Multifamily   | 3                | 7           | 30%       | 870                        | 8,148       | 10%       |
| Small Business  | 801              | 142         | 85%       | 149,426                    | 36,602      | 80%       |
| Small Farm  | 2                | 1           | 67%       | 240                        | 66          | 78%       |
| Total Lending Activity  | 1,106            | 272         | 80%       | 203,745                    | 68,187      | 75%       |

*Sources: HMDA data; CRA Disclosure report data*

### **Small Business Lending**

Capital has penetrated each segment of the community with regard to small business lending, however, lending to moderate-income areas has been limited. Table 5 reflects the proportion of Capital's small business lending in each census tract income category as compared to the manner in which businesses are distributed within each tract category, and compared to the lending record of the aggregate market. It is noted that Capital's percentage of lending in low-income tracts increased in 1997, while the percentage of lending in moderate-income areas decreased somewhat.

**Table 5*****Small Business Lending by Income Tract Category 1996-1997***

| Tract Category         | The % of the Number and Dollars of Loans made in the Assessment Area by the Aggregate Market and Capital Bank |            |              |            |              |            | The % of assessment area business located in each income tract category |  |
|------------------------|---|------------|--------------|------------|--------------|------------|---|--|
|                        | Market 1996   |            | Capital 1996 |            | Capital 1997 |            |   |  |
|                        | #   | \$ (000's) | #            | \$ (000's) | #            | \$ (000's) |   |  |
| Low Income Tracts      | 12%   | 10%        | 9%           | 8%         | 12%          | 12%        | 15%   |  |
| Moderate Income Tracts | 13%   | 14%        | 8%           | 10%        | 7%           | 4%         | 13%   |  |
| Middle Income Tracts   | 39%   | 34%        | 32%          | 29%        | 33%          | 35%        | 44%   |  |
| Upper Income Tracts    | 36%   | 42%        | 50%          | 54%        | 48%          | 49%        | 28%   |  |

*Sources: CRA Disclosure report data; Dun & Bradstreet, Inc. business demographic data*

*Note: Some percentages do not add to 100% due to rounding*

A detailed analysis of Capital's small business lending activity for each census tract within the assessment area during 1996 and 1997 was performed. Lending in each tract was compared to the number of businesses located in each respective tract (according to Dun & Bradstreet, Inc. 1997 business demographic data) and to the number of reported small business loans made by the aggregate market in 1996. While there is no CRA-related expectation for financial institutions to necessarily have lending activity in each census tract, our analyses reflected that Capital's lending has been concentrated in portions of its assessment area. As a result, there are low-, moderate-, middle-, and upper income tracts throughout the assessment area that Capital has served to a very limited degree. Capital made no small business loans in 33% (38 of the 115) of the assessment area tracts in the two-year period. However, given the characteristics of the census tracts, Capital's penetration has been adequate. The number of businesses located within those tracts represents only 16% of the assessment area's businesses, and only 12% of the area's small business lending reported by the aggregate market occurred in those tracts in 1996.

The analysis did, however, reflect that moderate-income tract penetration has been particularly low, as Capital did not make small business loans in 15 of 24 tracts during the 1996-1997 period. The number of businesses located within those tracts represent 38% of businesses located in all moderate-income tracts, and 5% of all assessment area businesses. In 1996, 25% of reported aggregate market small business lending in moderate-income areas occurred in those tracts, and represented 3% of all lending in the assessment area. Given these characteristics, the lack of lending in these tracts by Capital is mitigated to some degree.

Positive consideration is given to Capital's increased degree of business lending (including letters of credit) to low- and moderate-income areas since the last evaluation. The number of low-income tracts penetrated increased from seven in 1995 to thirteen during the 1996-1997 period, with dollars lent increasing more than three fold. The number of moderate-income tracts

penetrated increased from eight in 1995 to thirteen during the 1996-1997 period, although dollars lent annually decreased. Finally, an internal Capital analysis of the bank's entire loan portfolio reflects that loan commitments outstanding to low-income areas increased from \$20 million in 1995 to \$37 million at year-end 1997, and increased from \$28 million to \$43 million in the moderate-income tracts.

### ***Borrower Characteristics***

Capital's small business lending has addressed the needs of businesses of all sizes to an adequate degree. However, the percentage of Capital's lending to businesses with annual revenues less than \$1 million was lower than the level experienced by the aggregate market. Furthermore, the percentage of Capital's loans in small amounts (loans less than \$100,000 in size) was lower than that experienced by the aggregate market in 1996.

Within its assessment area in 1996, 41% of the number of Capital's small business loans and 32% of small business loan dollars were made to entities with annual revenues less than \$1 million. Aggregate CRA Disclosure report data reflected that 54% of the number and 43% of loan dollars reported by all lenders in the assessment area were made to businesses with revenues less than \$1 million in 1996.

In 1997, the percentage of Capital's small business loans made to the less than \$1 million revenue segment was 38% (number of loans) and 34% (loan dollars). Aggregate 1997 market data is not available. According to Dun & Bradstreet, Inc. business demographic data, 69% of businesses located with the bank's assessment area have annual sales less than \$1 million.

In 1996, 59% of the number of small business loans made by Capital within its assessment area were for amounts less than \$100,000, reflecting its willingness to make small-size loans. However, this was lower than the aggregate market where 78% of small business loans were for less than \$100,000. Table 6 reflects Capital's small business lending activity for 1996 and 1997.

| <b>Table 6      Small Business Loans by Size &amp; Revenue (1996-1997)</b> |                 |      |                            |      |
|--|-----------------|------|----------------------------|------|
| Loan Size  | Number of Loans |      | Dollars of Loans (\$000's) |      |
| < \$100,000  | 447             | 56%  | 20,811                     | 14%  |
| \$100,000 - \$250,000  | 164             | 20%  | 28,872                     | 19%  |
| \$250,000 - \$1,000,000  | 190             | 24%  | 99,743                     | 67%  |
| Total Small Business Loans   | 801             | 100% | 149,426                    | 100% |
| % of Total to Businesses with Annual Revenues less than \$1 million        | 318             | 40%  | 49,862                     | 33%  |

*Source: Capital CRA Disclosure report data*

Refer to the Community Development Lending section for discussion on how Capital has further helped to address the micro-business loan needs of the community by supporting Lagrange Development Corporation's Working Capital-Grant Assistance Program.

With its business focus and limited line of mortgage products, Capital's residential loans have not materially addressed the credit needs of individuals of different income levels. Lending to low- and moderate-income individuals has been limited. In 1996 and 1997 combined, Capital made a total of five HMDA reported loans for \$170,000 to low-income individuals, and ten loans for \$503,000 to moderate-income individuals. This represents only 5% of the number of Capital's HMDA loans and 1% of HMDA loan dollars. According to 1990 U.S. Census data, 24% of the assessment area's families are designated as being low- or moderate-income.

As previously discussed within the Lending Activity section, Capital has addressed the housing credit needs of low- and moderate-income individuals through community development lending for affordable housing purposes, a line of credit to Neighborhood Housing Services of Toledo, Inc., and through direct investments in affordable housing initiatives.

### ***Community Development Lending***

Community development lending has been very strong, and Capital has taken some leadership roles and provided creative financing to facilitate several projects. In 1996 and 1997, Capital made 27 community development loans totaling \$29 million as reflected in Table 3. This represents 85% of the bank's Tier One Capital. *Community Development Loans* are defined as loans which have community development as their primary purpose, as described by the CRA, and have not been reported as small business loans or one-to-four family loans for HMDA purposes.

Relative to its size, Capital extended more community development loan dollars than the other local banks. Aggregate 1996 CRA Disclosure report data for Capital and the three other locally-based commercial banks which primarily operate in the Toledo area (Fifth Third Bank of Northwest Ohio, N.A.; Mid-American National Bank & Trust Company; and National City Bank, Northwest) was analyzed. Community development lending at Capital reflected higher levels of its average assets and Tier One Capital than each of the other banks, and significantly exceeded two of those banks. Furthermore, in 1997 Capital's community development activity increased significantly, as reflected in Table 3. Examples of Capital's community development lending activities are described below.

- o In 1997, Capital orchestrated the financing of an \$8 million loan to purchase and renovate a major downtown Toledo office building. The venture, recognized as a job retention project in a low-income area, used Federal Home Loan Bank Community Investment Project funding. Capital leads a four-bank consortia for the two-loan financing package. Capital's portion of the loans is \$6.9 million.

- o In 1997, Capital extended two loans totaling \$2.4 million to purchase land for a new grocery store to be built in a moderate-income neighborhood which currently lacks such a facility. This project is supported by the City of Toledo which provided property access infrastructure improvements, approved zoning variances, and donated pieces of property.
- o Capital has provided financing to support the Cherry Bancroft Summit Corridors Coalition rehabilitation efforts. The Coalition, comprised primarily of community development corporations, community improvement organizations, and churches, has partnered with the City of Toledo to improve a low- and moderate-income section of Toledo. Capital made loans in 1996 totaling \$5 million to renovate and expand a private school operated by a non-profit church. Capital also made a \$1.8 million loan to purchase property to construct a new retail store in this area which had no similar facility.
- o Capital played an integral part in structuring a financial package supporting the development of a neighborhood shopping center that had been in the planning stages since 1973. Serving low- and moderate-income neighborhoods, the rehabilitation and development project is supported by the City of Toledo and is the impetus of Toledo Black American Developers, Inc., a non-profit development organization. Capital made a \$1.6 million loan to provide take-out financing for one store and the construction of a second store.
- o Capital has extended several loans to local CDC's which assist small businesses and affordable housing initiatives in low- and moderate-income areas. For instance, a no-interest line of credit supports Lagrange Development Corporation's Working Capital-Grant Assistance Program for micro-business financing.
- o Capital made several loans to purchase apartment buildings and mobile home parks which provide affordable housing.

### ***Innovative and Flexible Lending Practices***

Capital has used flexible lending practices to a reasonable degree. At times, creative financing packages have been put together when borrowers would not qualify for traditional loan terms. Primary examples of Capital's flexible lending practices during 1996 and 1997 are described below.

- o Capital has provided lines of credit at no-interest and substantially reduced interest rates to support local CDC programs. Lines of credit were provided to Local Initiative Support Corporation (LISC); Neighborhood Housing Services of Toledo, Inc; Lagrange Development Corporation, and Northriver Development Corporation. During 1996 and 1997, the imputed interest on these loans based on the balances outstanding was calculated by Capital to be in excess of \$30,000.

- o Capital has participated in the State of Ohio Link Deposit program. The program provides an injection of funds within the banking community specifically for creating lower-cost capital for Ohio businesses. The program represents flexible underwriting as it provides loans at interest rates that are lower than typically available to customers with similar risk profiles. Capital made six loans totaling \$2.6 million during this period under this program.
- o In 1997, Capital orchestrated a \$1.3 million financing package that used community development block grant funds, Lucas County Revolving Loan funds, Sylvania Area Community Improvement Corporation funds, and a Capital Bank, N.A. loan. Financing assisted a company's relocation to the area, with jobs specifically targeted for low- and moderate-income individuals created.
- o Capital's orchestration of an \$8 million purchase and rehabilitation of a major downtown Toledo office building, previously described in the Community Development Lending section, reflects a flexible and creative financing package.

### ***Lending Test Conclusion***

In drawing *Lending Test* conclusions, Capital's strong community development lending record tempered the relatively low degree of small business lending to moderate-income areas. Thirteen community development loans for \$16 million were made in moderate-income neighborhoods during the period. Positive consideration was also given to the fact that Capital's record of lending in low- and moderate-income segments of the community has improved since 1995. With a strong lending activity record, a high percentage of lending in the assessment area, a reasonable proportion of lending in low-income areas, an adequate record of making loans in amounts less than \$100,000 and to businesses with annual revenues less than \$1 million, it was determined that Capital's overall lending record addressed the credit needs of the community to an adequate degree.

### **Investment Test**

Capital's investment performance has exhibited good responsiveness to the credit and economic development needs of the community. Capital's community development investments total \$1,317,325, including qualified grants made in 1996 and 1997. Compared to other local banks, this volume is relatively high as it represents 3.9% of Tier One Capital. Furthermore, while the investments are not considered innovative or complex in nature, Capital has addressed the needs of the market in ways that other banks have not.

- o Capital was instrumental in the establishment of the Toledo Urban Credit Union, a community development credit union opened in 1996. (Refer also to the *Service Test* discussion.) Capital has placed funds in the credit union in the form of a \$100,000 three-year non-interest bearing certificate of deposit, and a one-year \$50,000 at 6% interest. Furthermore, Capital has provided support in the form of grants and in-kind equipment contributions. The credit union now has \$2.3 million in assets with over 2,000 members.
- o Capital made a \$500,000 investment commitment in the National Equity Fund through the local LISC chapter for the construction of twenty-eight new homes and the rehabilitation of ten existing homes in a section of Toledo comprised of low- and moderate-income census tracts.
- o In 1997 Capital made a \$500,000 investment commitment in the National Equity Fund through the local LISC chapter to develop affordable housing in the Warren - Sherman Flats region. The goal of this initiative is to construct sixty new homes in this low- and moderate-income area.
- o Capital has pledged to provide a \$100,000 5-year deposit at the reduced rate of 3% with the Ohio Community Development Finance Fund. Once the funding package is completed, the deposits will be used to provide reduced-rate financing to an affordable housing rehabilitation and new-unit construction project performed by Organized Neighbors Yielding Excellence, a Toledo CDC.
- o During 1996 and 1997 Capital provided community development grants and in-kind contributions totaling \$67,325 to thirteen community development organizations, including: Lagrange Development Corporation; LISC; Neighborhood Housing Services of Toledo, Inc.; Neighborhoods in Partnership Business Alliance; North River Development; North Toledo Community House; and Toledo Urban League.

## **Service Test**

Capital has an adequate record of supporting the community through the provision of services. This conclusion is based on the following: 1) alternative delivery systems have effectively enhanced the bank's ability to serve the community, including low- and moderate-income areas; and 2) Capital has an adequate record of providing community development services.

### ***Retail Banking Services***

Capital operates one banking office which is located in a middle-income census tract. Business hours are longer than traditional banking hours, with the office open 8:30 a.m. - 5:30 p.m. during weekdays. Furthermore, bank personnel are available on an appointment basis to meet with customers after hours and on weekends at locations of customer choice.

### ***Alternative Delivery Systems***

Capital's alternative delivery systems enhance access to bank services and products. This has resulted in a delivery system that is reasonably accessible to all portions of the assessment area.

- o Capital's courier program provides deposit pickup to small business clientele. The cost of this service is subsidized 50% by the bank and provides bank customers with a unique method to conduct normal transactions. Approximately 93% of the bank's courier customers are located within the assessment area, and 44% are located within low- and moderate-income areas. In the past two years, this service has increased from 265 customers to its present level of 415.
- o Capital offers a computer-based banking product designed to give business customers access to their accounts and various bank products and services from their business location. Customers can check account balances, make loan payments, and transfer funds by computer. Currently, the bank has over 100 business customers using this service with approximately 33% being businesses located in low- and moderate-income areas.
- o Capital also provides telephone transfers, a bank-by-mail program, and automated teller machine (ATM) access, all free of charge. The telephone banking and bank-by mail services provide customers the convenience of conducting transactions without visiting the bank's office. Customers can access their accounts through ATMs participating through several non-proprietary networks with no Capital usage charge. These services are actively offered and provided to the entire community, including low- and moderate-income areas. The characteristics of these services enhance the delivery of products to the market as a whole. As data demonstrating the extent that they are used by the low- and moderate-income segments of the community is not available, significant weight cannot be placed on these programs when drawing CRA performance conclusions. Nevertheless, the programs demonstrate Capital's commitment to using alternative ways to deliver products to the market.

### ***Community Development Services***

Capital Bank's provision of community development services has been adequate. Primary activities are described below.

- o The bank actively supports the Toledo Urban Federal Credit Union which opened for business in 1996. This organization was formed to provide financial services and products to a low- and moderate-income area of Toledo. A bank officer participates in quarterly planning meetings with credit union management. The meetings include discussion of strategic direction and assess the on-going issues for the members involved. The credit union has been very successful, having grown to \$2.7 million in assets with over 2,000

members. Refer to the *Investment Test* discussion for details regarding Capital's financial support for this organization.

- o Capital provided technical expertise to the Huntington Community Center expansion. The center provides services to the residents of the local community, including head start youth programs, emergency food and shelter, and a meal program for the elderly. A bank officer was actively involved in the building expansion planning process, including serving on the architect selection panel, and contacting local trade organizations for labor resources. The bank's office was also used for meetings during the planning and construction phase of this project. Capital provided financial support as well, as considered under the *Investment Test*.
- o A Capital commercial loan officer is a member of the loan committee for the Lucas County Improvement Corporation, a county program designed to promote economic growth.
- o A bank officer serves on the Board of Directors and the Finance Committee of the Toledo Port Authority. This organization's goal is to promote economic development for the region by retaining and creating jobs. Through its Finance Committee, it also provides long term financing at low interest rates to established businesses trying to expand. A second Capital officer is a member of the loan approval committee.
- o Capital supports the activities of the Sylvania Area Community Improvement Corporation, a community development program instituted in 1997 designed to improve and maintain the community of Sylvania. The program's primary goal is to provide loans to small businesses in the community for expansion and job creation. A Capital commercial loan officer serves on the loan committee, a second officer is on the planning committee, and a third serves as the organization's treasurer.
- o A Capital employee serves on the board of directors of the Toledo Area Small Business Association. In part, this organization assists local small business qualify for loans by serving as a resource center for developing business plans.

## Fair Lending Review

Capital has effective fair lending policies, procedures, training programs, and internal monitoring processes in place. No violations of antidiscrimination laws and regulations have been identified, including the Equal Credit Opportunity Act, Fair Housing Act, or Home Mortgage Disclosure Act.

## **APPENDIX**

### ***Scope of Evaluation***

The evaluation assessed Capital's performance as outlined below:

- The period of review was January 23, 1996 (the date of the last examination) to date. Data from 1996 and 1997 was considered.
- Primary loan data considered consisted of small business, community development, and home mortgage loans.
- No affiliate lending performance was considered.