

PUBLIC DISCLOSURE

August 4, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First State Bank
RSSD# 113740

16100 East Nine Mile Road
Eastpointe, Michigan 48021

Federal Reserve Bank of Chicago

230 South LaSalle Street
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed, as an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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INSTITUTION'S CRA RATING

First State Bank is rated: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

First State Bank is meeting the credit needs of its assessment area based on a review of its lending and community development activities. The bank's average loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment area. A majority of the bank's loans were originated inside its assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area and loan distribution reflects reasonable penetration among individuals and businesses of different income and revenue levels. Neither First State Bank nor this Reserve Bank have received any CRA-related complaints since the previous evaluation.

First State Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments (including donations), and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's assessment area.

SCOPE OF EXAMINATION

First State Bank's CRA performance was evaluated using the Intermediate Small Institution Examination Procedures issued by the Federal Financial Institutions Examination Council (FFIEC). The evaluation was performed within the context of information regarding the institution and its assessment area including asset size, financial condition, competition, and economic and demographic characteristics.

The evaluation included a full-scope review of the bank's single assessment area located in the Warren-Troy-Farmington Hills, Michigan Metropolitan Division (MD) #47664. Loan products reviewed include Home Mortgage Disclosure Act (HMDA)-reportable loans originated in 2023 and 2024, as well as small business loans originated in 2024. These products are considered the bank's primary business lines based on volume and dollar amount. For purposes of this analysis, 2024 HMDA and small business loans were used to drive the rating, while 2023 HMDA loans were used primarily for comparison. Due to a significant difference in lending volume between HMDA and small business loans, performance with HMDA lending will hold greater weight in the analysis.

Performance within the designated assessment area was evaluated based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 13-quarter average loan-to-deposit ratio was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank’s HMDA-reportable loans from January 1, 2023, to December 31, 2024, and a sample of small business loans originated from January 1, 2024, to December 31, 2024, were reviewed to determine the percentage of loans originated within the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank’s HMDA-reportable loans from January 1, 2023, to December 31, 2024, and a sample of small business loans originated within the assessment area from January 1, 2024, to December 31, 2024, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels, particularly those designated as low- and moderate-income.
- ***Lending to Borrowers of Different Income and to Businesses of Different Sizes*** – The bank’s HMDA-reportable loans from January 1, 2023, to December 31, 2024, and a sample of small business loans originated within the assessment area from January 1, 2024, to December 31, 2024, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.
- ***Community Development Activities*** – The bank’s responsiveness to community development needs through community development loans, qualified investments, and community development services, from March 15, 2022, to August 4, 2025, were reviewed considering the capacity, need, and availability of such opportunities within the assessment area.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and socio-economic conditions in the assessment area. Both representatives work at organizations that are involved in economic development and affordable housing projects throughout the local communities.

DESCRIPTION OF INSTITUTION

First State Bank (FSB) is a wholly owned subsidiary of First State Financial Corporation, a single bank holding company headquartered in St. Clair Shores, Michigan. The bank operates eleven total locations (ten in Macomb County and one in Oakland County), each with a full-service automated teller machine (ATM), along with one loan production office (LPO) and one operations center within the assessment area. The main office, one branch, and two ATMs are located in moderate-income census tracts and one branch and one ATM is located in a low-income census tract all within Macomb County. FSB has one branch, including a full-service ATM, in Oakland County. In October 2022, one branch and accompanying full-service ATM located in a moderate-income census tract in Macomb County were closed.

According to the Uniform Bank Performance Report (UBPR), as of March 31, 2025, the bank reported total assets of approximately \$1.3 billion. FSB provides a wide range of conventional lending and deposit services to meet the needs of the consumers, businesses, municipalities, and non-profit organizations operating within its assessment area. FSB's loan portfolio is primarily concentrated in commercial and residential real estate (RRE) lending. The bank offers standard loan products and services, as well as traditional, non-complex interest and non-interest-bearing deposit products.

Details of the allocation of First State Bank's loan portfolio are provided in the following table.

Composition of Loan Portfolio as of March 31, 2025 (000's)		
Type	\$	%
Commercial	464,848	56.0
Residential Real Estate	319,181	38.5
Consumer	42,760	5.2
Other	3,093	0.4
Agriculture	0	0
Total	829,882	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

There are no known legal, financial or other factors impeding the bank's ability to help meet the credit needs in its communities.

The bank was rated **satisfactory** under the CRA at its previous evaluation conducted on March 14, 2022.

DESCRIPTION OF ASSESSMENT AREA

First State Bank maintains one assessment area within the Warren-Troy-Farmington Hills, Michigan Metropolitan Division (MD) #47664 (Warren-Troy-Farmington Hills, MI MD), which is part of the larger Detroit-Warren-Dearborn, Michigan Metropolitan Statistical Area (MSA) #19820. The bank's physical delineated assessment area includes Macomb and Oakland counties in their entirety, as well as the southern half of St. Clair County. The assessment area consists of 612 total census tracts, including 31 low-income, 147 moderate-income, 231 middle-income, 186 upper-income, and 17 census tracts with unknown income designations. The bank's physical delineated assessment area has not changed since the previous evaluation; however, the composition of census tracts and income designations have changed.

The table on the following page shows the changes to the makeup of the bank's assessment area, due to the most recent U.S. Census Bureau data.

Tract Designation Change Data

The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level). The income data used to calculate geographic income designations changed between 2021 and 2022. Accordingly, lending activity that took place in calendar years up to and including 2021 are evaluated based on ACS income level definitions from the five-year survey data set 2011-2015. Lending activity performed in 2022 and beyond are evaluated based on ACS income level definitions from the five-year survey data set 2016-2020.

Census Tract Designation Changes American Community Survey Data (ACS)			
Tract Income Designation	2021 Designations (#)	2022 Designations (#)	Net Change (#)
Low	43	31	-12
Moderate	131	147	+16
Middle	230	231	+1
Upper	163	186	+23
Unknown	6	17	+11
Total	573	612	+39
Source: U. S. Census Bureau: Decennial Census: American Community Survey Data: 2011-2015 U.S. Census Bureau: Decennial Census: American Community Survey Data: 2016-2020			

According to the June 30, 2024, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, First State Bank ranked 10th out of 34 FDIC-insured institutions for deposit market share within the assessment area. The bank held \$1.1 billion in deposits, representing 0.9 percent of the total deposit market share in the assessment area. Flagstar Bank led the assessment area with \$29.2 billion in deposits and a market share of 25.0 percent, while Bank of America and JPMorgan Chase Bank were next with \$22.8 billion (19.5 percent market share) and \$15.9 billion (13.6 percent

market share), respectively. As of June 30, 2024, the 34 institutions competing for deposits and loans in the assessment, including First State Bank, had a combined 462 branches inside the assessment area. The top three institutions held a collective held 58.1 percent deposit market share, suggesting a competitive market.

In 2024, First State Bank ranked 21st, with a total of 684 originations, among 529 financial institutions that originated or purchased home mortgage loans (HMDA-reporters). For comparison, United Shore Financial Service and Rocket Mortgage ranked first and second in the market with 7,096 and 5,596 originations, respectively. In 2023, First State Bank ranked 22nd, with a total of 561 originations, among 548 HMDA-reporting financial institutions in the assessment area. In both 2023 and 2024, a majority of the top 20 lenders in the market were either mortgage companies, credit unions, or larger, nationally chartered banks. This is indicative of a very saturated, competitive market for HMDA-reportable loan applications

Demographic information regarding the assessment area is provided in the table on the following page. See Appendix B for 2023 demographic information.

2024 Warren-Troy-Farmington Hills, MI MD 47664 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	31	5.1	19,126	3.4	4,744	24.8	113,162	20.1
Moderate	147	24.0	126,614	22.5	12,868	10.2	98,484	17.5
Middle	231	37.7	220,829	39.2	10,792	4.9	119,107	21.2
Upper	186	30.4	195,891	34.8	4,805	2.5	231,908	41.2
Unknown	17	2.8	201	0.0	105	52.2	0	0.0
Total AA	612	100.0	562,661	100.0	33,314	5.9	562,661	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	45,126	13,997	2.2	31.0	26,068	57.8	5,061	11.2
Moderate	234,729	133,159	20.7	56.7	86,532	36.9	15,038	6.4
Middle	370,328	259,967	40.5	70.2	90,268	24.4	20,093	5.4
Upper	285,585	234,329	36.5	82.1	37,341	13.1	13,915	4.9
Unknown	532	292	0.0	54.9	187	35.2	53	10.0
Total AA	936,300	641,744	100.0	68.5	240,396	25.7	54,160	5.8
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	5,444	4.8	4,643	4.5	766	7.8	35	4.0
Moderate	24,475	21.6	21,999	21.5	2,332	23.7	144	16.5
Middle	40,938	36.2	37,433	36.6	3,200	32.5	305	34.9
Upper	40,833	36.1	37,395	36.5	3,066	31.1	372	42.6
Unknown	1,434	1.3	926	0.9	491	5.0	17	1.9
Total AA	113,124	100.0	102,396	100.0	9,855	100.0	873	100.0
Percentage of Total Businesses:				90.5		8.7		0.8
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	11	1.9	11	1.9	0	0.0	0	0.0
Moderate	72	12.1	70	12.2	2	11.1	0	0.0
Middle	276	46.5	269	46.8	7	38.9	0	0.0
Upper	232	39.1	223	38.8	9	50.0	0	0.0
Unknown	2	0.3	2	0.3	0	0.0	0	0.0
Total AA	593	100.0	575	100.0	18	100.0	0	0.0
Percentage of Total Farms:				97.0		3.0		0.0
Source: 2024 FFIEC Census Data 2024 Dori & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

Population Change

The following table presents the population changes for the assessment area, the counties that comprise the assessment area, and the state of Michigan from 2015 to 2020. According to the U.S. Census Bureau, the assessment area's population in 2020 was 2,315,995, a 3.2 percent increase from 2015. Of the individual counties within the assessment area, Oakland County saw the largest increase in population at 3.7 percent, with Macomb County slightly behind both the assessment area and Oakland County at 3.1 percent. St. Clair County's population dropped by 46 people, leaving its population rather unchanged. A community representative mentioned manufacturing, especially the automotive industry, being the main hub in the area for jobs and that the push for electric vehicles in recent years brought businesses to Michigan, including technology companies.

Population Change			
Area	2015 Population	2020 Population	Percent Change (%)
Assessment Area	2,244,621	2,315,995	3.2
Macomb County, MI	854,689	881,217	3.1
Oakland County, MI	1,229,503	1,274,395	3.7
St. Clair County, MI	160,429	160,383	0.0
Warren-Troy-Farmington Hills, MI MD	2,517,447	2,598,480	3.2
Michigan	9,900,571	10,077,331	1.8
Source: 2011-2015 U.S. Census Bureau American Community Survey 2020 U.S. Census Bureau Decennial Census			

Income Characteristics

According to the U.S. Census Bureau, the assessment area is comprised of 562,661 families, of which 20.1 percent are designated as low-income, 17.5 percent are moderate-income, 21.2 percent are middle-income, and 41.2 percent are upper-income. Families living below the poverty level within the assessment area make up 5.9 percent of all families in the assessment area, which is less than the state of Michigan's rate at 9.2 percent.

The table on the following page presents median family income (MFI) for families living in the assessment area, the counties that comprise the assessment area, and the state of Michigan from 2015 to 2020. According to the American Community Survey (ACS), the MFI for the assessment area was \$91,814, a 10.0 percent increase from 2015. Each county comprising the assessment area saw similar increases in MFI, with Oakland County experiencing the highest increase at 11.3 percent and Macomb County having the smallest increase at 8.5 percent. With the exception of Oakland County, the increases in MFI in Macomb and St. Clair counties, as well as the assessment area as a whole, were slightly behind that of the state of Michigan at 11.0 percent.

One community representative stated that Oakland County has a lot of service-based jobs like accounting, finance, and law, including corporate headquarters. It was also noted that Oakland

County has an overall larger population than the other counties in the assessment area and communities that have become more affluent over the years. Another representative described the path of relative wealth in Oakland County, from the historic vacation cottages owned by those living in central Detroit, to the transition of the cottages as permanent homes as residents moved away from the growing urban center. Over time, the cottages were rebuilt as large homes, which exist today. The representative indicated this property transition is the origin of relative wealth in Oakland County, when compared to other counties in the assessment area.

Median Family Income Change			
Area	2015 Median Family Income (\$)	2020 Median Family Income (\$)	Percent Change (%)
Assessment Area	83,438	91,814	10.0
Macomb County, MI	74,060	80,371	8.5
Oakland County, MI	95,290	106,060	11.3
St. Clair County, MI	67,574	73,484	8.7
Warren-Troy-Farmington Hills, MI MD	83,843	92,419	10.2
Michigan	68,010	75,470	11.0
<i>Source: 2011 - 2015 U.S. Census Bureau American Community Survey 2016 - 2020 U.S. Census Bureau American Community Survey Median Family Incomes have been inflation-adjusted and are expressed in 2020 dollars.</i>			

Housing Characteristics

The bank's assessment area contains a total of 936,300 housing units. The majority of these housing units are owner-occupied at 68.5 percent, while 25.7 percent are rental units and the remaining 5.8 percent of housing units are vacant. Of the 68.5 percent, or 641,744 units that are owner-occupied, 2.2 percent are located in low-income census tracts, 20.7 percent in moderate-income, 40.5 percent are in middle-income, and 36.5 percent are in upper-income.

Housing cost burden, which is presented in the table below, helps to understand poverty and housing outcomes as the ratio of a household's gross monthly housing costs to the household's gross monthly income. Housing cost burden, as defined by the U.S. Department of Housing and Urban Development, takes these quantitative ratios, and assigns qualitative values to them. If a household's housing cost is above 30.0 percent of its income, then the household is considered housing cost burdened.

The percentage of low- (79.4 percent) and moderate-income (44.2 percent) cost burdened renters in the assessment area was consistent with percentages of low- and moderate-income cost burdened renters in the entire MD, and slightly higher than those of the state of Michigan. Both low- and moderate-income households that are renters face higher rates of housing cost burden in the assessment area, each county comprising the assessment area, and the state of Michigan than low-

and moderate-income homeowners. Low- and moderate-income households face the lowest rates of housing cost burden in St. Clair County for both renters and owners, when compared to the rest of the region. Across the assessment area and the state of Michigan, moderate-income renters and homeowners are housing cost burdened at a much lower rate than their low-income counterparts. The lower percentage of those burdened demonstrates the need to move residents into homeownership, rather than remaining in rental units.

Community representatives noted a significant need for affordable housing in the assessment area. Representatives stated that the greatest need is among lower-income individuals and families; however, housing is still too expensive for some middle-income borrowers, as well. One representative, with a focus on affordable housing, said the newest generation entering the housing market is prioritizing low maintenance properties like condominiums or apartments rather than higher maintenance properties like larger 1-4 family dwellings with yards. The representative explained as a result there is a greater need for affordable rental properties, which is also supported by the housing cost burden data. Homeownership poses challenges as low- and moderate-income individuals face some disadvantage trying to obtain traditional mortgages, often struggling with required down payments. A community representative shared their understanding of the difficulty banks face qualifying low-income borrowers but has seen banks in the surrounding area make an effort when it comes to first-time homeownership.

Housing Cost Burden						
Area	Cost Burden – Renters (%)			Cost Burden – Owners (%)		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Assessment Area	79.4	44.2	40.7	67.1	33.0	18.2
Macomb County, MI	81.0	39.5	43.4	66.7	32.7	19.5
Oakland County, MI	78.7	49.7	38.6	69.3	35.9	17.4
St. Clair County, MI	75.3	26.6	45.6	58.9	21.9	17.4
Warren-Troy-Farmington Hills, MI MD	79.1	42.5	40.7	66.3	31.8	18.0
Michigan	75.3	35.6	42.9	62.1	27.2	17.5
<i>Cost Burden is housing cost that equals 30 percent or more of household income</i>						
<i>Source: U.S. Department of Housing and Urban Development (HUD), 2017-2021 Comprehensive Housing Affordability Strategy</i>						

Employment Characteristics

After increasing notably during the COVID-19 pandemic, unemployment rates were on a steady decline from 2021 to 2023. From 2023 to 2024, unemployment rates for the assessment area, each county comprising the assessment area, and the state of Michigan all increased. Macomb County saw the highest increase of 0.9 percentage points, while Oakland County saw the smallest increase of 0.6 percentage points.

Community representatives noted regular hiring by local employers and numerous available job openings. As stated previously, Oakland County has a significantly higher median family income, and representatives attributed this to the amount of service-based jobs in this area like accounting, finance, and law. These jobs may be considered more stable, and therefore, help retain employment in Oakland County. However, a community representative also indicated a significant shortage of skilled trades laborers in the area. The representative explained that when construction projects face delays, it is often because of a lack of skilled workers. Although no major employer closings were known by community representatives, they referenced recent announcements that PepsiCo Inc is ending manufacturing at its Detroit plant. Local news coverage from The Detroit News supported these comments with details of the September 2025 closure of PepsiCo's manufacturing, transport, and maintenance operations in Detroit.

Unemployment Rates (%)				
Area	2021	2022	2023	2024*
Assessment Area	5.1	3.3	3.2	3.9
Macomb County, MI	5.8	3.7	3.5	4.4
Oakland County, MI	4.6	3.0	2.9	3.5
St. Clair County, MI	5.8	3.9	3.8	4.5
Warren-Troy-Farmington Hills, MI MD	5.1	3.3	3.2	3.9
Michigan	5.7	4.1	3.9	4.5
Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics				
*2024 year-to-date average based on monthly data from January through November.				

Industry Characteristics

According to the U.S. Bureau of Labor Statistics, the assessment area is comprised of several diverse industries and is heavily dependent on health care and social services; manufacturing; and professional and technical services; which are the top three industries by number of employees. Both manufacturing and professional and technical services were mentioned by community representatives as major industries employing people in the assessment area. This area has historically been a large manufacturing hub due to its proximity to and connection with the automotive industry.

Community Representatives

Two community representatives were contacted to provide information on local economic and housing conditions throughout the assessment area. The representatives provided information on affordable housing needs, employment, and economic development trends in the local communities. Both community representatives emphasized the lack of and need for affordable housing. One representative mentioned the challenges for approval of affordable housing projects, while another referenced project delays due to a shortage of skilled trades laborers. The community representatives referenced the assessment area being a manufacturing hub, specifically around the automotive industry, and a recent push for electric vehicles, which has brought some technology business to the area. One representative shared that there has been an influx of new small banks and credit unions in the area, which the representative considers good for local competition. Each of the representatives noted that banks are trying to meet credit needs of the area and acknowledged the difficulties financial institutions may face when doing so. Ultimately, it was noted that banks seem to realize the need and are taking action to support development in this region.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

First State Bank's performance relative to the lending test is **Satisfactory**. The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment area. The majority of home mortgage and small business loans were originated inside the assessment area. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area, and the loan distribution reflects reasonable penetration among individuals of different income levels, including low- and moderate-income, as well as businesses of different revenue sizes.

Loan-to-Deposit Ratio

First State Bank has a reasonable loan-to-deposit ratio (considering seasonal variations) given the bank's size, financial condition, the credit needs of its assessment area(s), and taking into account, as appropriate, other lending-related activities such as loan originations for sale to the secondary markets and community development loans and qualified investments. The bank's loan-to-deposit (LTD) ratio averaged 68.0 percent over the 13-quarter period ending March 31, 2025. While the bank's LTD ratio was slightly lower than the average of its local competitors over the same 13-quarter period, the bank's average has increased since the previous evaluation, when it was 66.5 percent. The average has increased due to the peak LTD ratio of 79.5 percent on June 30, 2023, and continued quarterly ratios remaining above 73.0 percent for six out of the eight most recent quarters. These increases are, in part, attributed to intentional promotion by the bank that has yielded new commercial relationships and increased brand awareness.

The table on the following page compares the bank's LTD ratio to its local competitors. Similarly situated competitors were selected based on asset size, branch locations, and loan portfolio mix.

Comparative Loan-to-Deposit Ratios as of March 31, 2025	
Comparative Data	13-Quarter Average (%)
First State Bank, Eastpointe, MI	68.0
Peer Avg – Local	72.9
Competitors	
Eastern MI Bank	40.1
Northstar Bank	89.2
Oxford Bank	70.4
Superior National Bank	74.8
Tri-County Bank	79.8
Waterford Bank NA	82.9

Assessment Area Concentration

First State Bank originated a majority of its loans in the bank's assessment area. During the evaluation period, the bank originated 57.3 percent of total loans by number and 55.0 percent by dollar amount inside the assessment area. The bank originated 56.1 percent of HMDA-related loans inside the assessment area. The concentration of HMDA related loans substantially decreased since the previous evaluation when the bank originated 79.2 percent of HMDA related loans inside the assessment area. The bank originated 86.1 percent of small business loans inside the assessment area. The concentration of small business loans has increased since the previous evaluation, when the bank originated 79.7 percent of small business loans inside the assessment area. Overall, the percentages of total loans, by both number and dollar amount, have substantially decreased since the previous evaluation.

The following table summarizes the First State Bank's lending inside and outside its assessment area for HMDA-reportable loans from January 1, 2023, to December 31, 2024, and a sample of small business loans from January 1, 2024, to December 31, 2024.

Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase - Conventional	789	54.9	\$214,962	52.8	649	45.1	\$191,961	47.2
Home Purchase - FHA	92	47.7	\$20,184	49.1	101	52.3	\$20,935	50.9
Home Purchase - VA	13	38.2	\$4,445	41.1	21	61.8	\$6,367	58.9
Multi-Family Housing	0	0.0	\$0	0.0	5	100.0	\$2,708	100.0
Refinancing	172	74.8	\$34,308	70.3	58	25.2	\$14,521	29.7
Total HMDA related	1,066	56.1	\$273,899	53.7	834	43.9	\$236,492	46.3
Small Business	68	86.1	\$20,266	83.3	11	13.9	\$4,077	16.7
Total Small Bus. related	68	86.1	\$20,266	83.3	11	13.9	\$4,077	16.7
TOTAL LOANS	1,134	57.3	\$294,165	55.0	845	42.7	\$240,569	45.0

Geographic and Borrower Distribution

First State Bank's geographic distribution of loans reflects reasonable dispersion throughout the assessment area, including low- and moderate-income geographies. The bank's borrower distribution reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income, and businesses of different sizes. Further details on the bank's geographic and borrower distribution performance can be found below.

Geographic Distribution of Loans

First State Bank demonstrated a reasonable geographic distribution of loans given the bank's assessment area. Due to a lack of originations in other product categories, only home purchase and refinance loans were analyzed for HMDA-reportable loans. The discussion below will focus on the bank's total home mortgage loans, an aggregate of home purchase and refinance loans.

An analysis of the dispersion of loans throughout the assessment area was conducted to identify any conspicuous gaps in lending. The assessment area contains 612 total census tracts, of which 31 are low-income and 147 are moderate-income. In 2024, the bank originated loans in 52.3 percent of the 612 total census tracts, including 45.2 percent and 59.2 percent of all low- and moderate-income census tracts, respectively. The bank is lending in a majority of the census tracts within its assessment area, and no unexplained or conspicuous lending gaps were identified.

HMDA-Reportable Loans

First State Bank's geographic distribution of HMDA-reportable loans reflects excellent dispersion of lending throughout the bank's assessment area. In 2024, the bank originated 3.5 percent of its total HMDA-reportable loans in low-income census tracts, a higher rate than both the aggregate lenders and percentage of owner-occupied units in low-income census tracts at 2.6 percent and 2.2 percent, respectively. The bank originated 24.6 percent of its HMDA-reportable loans in moderate-

income census tracts, again outpacing the aggregate lenders at 21.5 percent and the percentage of owner-occupied units of 20.7 percent. The majority of these home mortgage loans were home purchases at 80.6 percent, while 19.4 percent were refinance loans. However, the bank did originate 4.5 percent of its refinance loans in low-income census tracts, exceeding aggregate lenders at 2.4 percent and more than doubling the percentage of owner-occupied units of 2.2 percent.

The bank's geographic distribution of HMDA-reportable loans in 2023 was slightly below its 2024 performance, mainly due to its lending performance in moderate-income census tracts.

The table on the following page shows the 2023 and 2024 geographic distribution of HMDA-reportable loans in the assessment area.

Distribution of 2023 and 2024 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2023						2024						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	%%	\$(000)	\$%	\$%	#	#%	%%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	15	3.7	3.7	2,449	2.1	16	15	3.2	3.1	1895	15	14	2.2
Moderate	84	19.6	24.3	16,622	14.4	163	114	24.5	23.2	21,011	16.9	15.0	20.7
Middle	198	46.2	39.7	49,724	43.2	35.9	200	43.0	40.5	52,836	42.5	35.8	40.5
Upper	131	30.5	32.2	46,425	40.3	46.1	136	29.2	33.1	48,629	39.1	47.8	36.5
Unknown	0	0.0	0.1	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	429	100.0	100.0	115,220	100.0	100.0	465	100.0	100.0	124,371	100.0	100.0	100.0
Refinance Loans													
Low	1	1.7	2.7	106	1.0	1.1	5	4.5	2.4	541	2.3	1.1	2.2
Moderate	14	23.3	21.4	1,618	15.2	15.8	28	25.0	20.3	3,579	15.1	13.7	20.7
Middle	30	50.0	40.7	3,769	35.3	32.0	42	37.5	39.1	8,731	36.9	34.2	40.5
Upper	15	25.0	35.3	5,184	48.6	51.1	37	33.0	38.2	10,780	45.6	50.9	36.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	60	100.0	100.0	10,677	100.0	100.0	112	100.0	100.0	23,631	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	1.8	0	0.0	0.9	0	0.0	1.7	0	0.0	0.9	2.2
Moderate	0	0.0	17.2	0	0.0	10.8	0	0.0	17.6	0	0.0	11.9	20.7
Middle	0	0.0	38.9	0	0.0	32.1	0	0.0	40.9	0	0.0	35.4	40.5
Upper	0	0.0	42.1	0	0.0	56.1	0	0.0	39.9	0	0.0	51.8	36.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	17.8	0	0.0	13.5	0	0.0	3.7	0	0.0	0.4	10.6
Moderate	0	0.0	39.7	0	0.0	38.0	0	0.0	32.1	0	0.0	23.5	33.0
Middle	0	0.0	31.5	0	0.0	31.1	0	0.0	40.7	0	0.0	60.8	39.4
Upper	0	0.0	11.0	0	0.0	17.4	0	0.0	23.5	0	0.0	15.4	17.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	17	3.5	3.1	2,555	2.0	19	20	3.5	2.6	2,436	16	12	2.2
Moderate	98	20.0	22.4	18,240	14.5	16.7	142	24.6	21.5	24,590	16.6	14.9	20.7
Middle	228	46.6	39.9	53,493	42.5	34.7	242	41.9	40.2	61,567	41.6	36.5	40.5
Upper	146	29.9	34.6	51,609	41.0	46.7	173	30.0	35.6	59,409	40.1	47.4	36.5
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	489	100.0	100.0	125,897	100.0	100.0	577	100.0	100.0	148,002	100.0	100.0	100.0
Source: 2024 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

Small Business Loans

First State Bank's geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Of small business loans reviewed, the bank originated 8.8 percent of its small business loans in low-income census tracts, exceeding the percentage of total businesses in low-income census tracts at 4.8 percent. The bank originated 19.1 percent of its small business loans within moderate-income census tracts. This is slightly lower than the percentage of total businesses in moderate-income census tracts at 21.6 percent.

The following table presents the 2024 geographic distribution of small business loans in the assessment area.

Distribution of 2024 Small Business Lending By Income Level of Geography					
Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664					
Geographic Income Level	Bank Loans				Total Businesses %
	#	%	\$(000)	\$%	
Low	6	8.8	1,862	9.2	4.8
Moderate	13	19.1	4,076	20.1	21.6
Middle	25	36.8	8,294	40.9	36.2
Upper	16	23.5	4,843	23.9	36.1
Unknown	8	11.8	1,192	5.9	1.3
Tract-Unk	0	0.0	0	0.0	
Total	68	100.0	20,266	100.0	100.0
Source: 2024 FFIEC Census Data 2024 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

First State Bank's distribution of loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income individuals, and businesses of different sizes, given the demographics of the bank's assessment area. Due to a lack of originations in other product categories, only home purchase and refinance loans were analyzed for HMDA-reportable loans. The discussion below will focus on the bank's total home mortgage lending, an aggregate of home purchase and refinance loans. Due to a significant difference in lending volume between HMDA and small business loans, more weight was placed on the bank's performance with HMDA-reportable loans.

HMDA-Reportable Loans

The borrower distribution of HMDA-reportable loans reflects excellent penetration among individuals of different income levels. In 2024, First State Bank originated 19.2 percent of its total HMDA-reportable loans to low-income borrowers, exceeding aggregate lenders at 11.4 percent and slightly below the 20.1 percent of families in the assessment area that are low-income. As shown in the Housing Cost Burden table, within the assessment area 79.4 percent of low-income renters are considered to be housing cost burdened, compared to 67.1 percent of low-income homeowners. This 12.3 percentage point decrease in housing cost burden from renters to homeowners demonstrates the importance of moving low-income renters into homeownership. The bank is outperforming its peers by nearly 8.0 percentage points in meeting these needs and making HMDA-reportable loans to low-income borrowers. The bank originated 24.1 percent of its HMDA-reportable loans to moderate-income borrowers, a slightly higher rate than aggregate lenders at 22.8 percent and above the 17.5 percent of families in the assessment area that are moderate-income. A majority of these HMDA-reportable loans were home purchases, which is an important loan category for low- and moderate-income renters who experience housing cost burden. Of all 2024 refinance loans, 53.6 percent of borrowers were low- and moderate-income, nearly doubling aggregate lenders' performance to borrowers of the same income levels. Additionally, the bank has a first-time homebuyer grant program that provides down payment and closing cost assistance. One of the eligibility requirements for this program is that the borrower(s) meet certain income limitations based on HUD classifications for the region.

The bank's borrower distribution of HMDA-reportable loans in 2023 was consistent with its performance in 2024.

The table on the following page shows the 2023 and 2024 borrower distribution of HMDA-reportable loans in the assessment area.

Distribution of 2023 and 2024 Home Mortgage Lending By Borrower Income Level Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2023						2024						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	##	\$(000)	\$%	\$%	#	#%	##	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	56	13.1	12.4	7,688	6.7	6.0	84	18.1	11.0	12,241	9.8	5.0	20.1
Moderate	119	27.7	23.4	23,426	20.3	16.7	106	22.8	23.5	20,204	16.2	15.4	17.5
Middle	104	24.2	21.6	28,294	24.6	20.7	112	24.1	21.4	28,216	22.7	19.6	21.2
Upper	148	34.5	29.0	55,107	47.8	44.2	160	34.4	30.5	62,822	50.5	46.2	41.2
Unknown	2	0.5	13.5	705	0.6	12.3	3	0.6	13.7	888	0.7	13.8	0.0
Total	429	100.0	100.0	115,220	100.0	100.0	465	100.0	100.0	124,371	100.0	100.0	100.0
Refinance Loans													
Low	14	23.3	16.8	985	9.2	7.9	27	24.1	12.2	2,883	12.2	6.0	20.1
Moderate	16	26.7	23.7	2,355	22.1	14.7	33	29.5	21.5	5,537	23.4	14.4	17.5
Middle	11	18.3	22.0	1,709	16.0	15.7	15	13.4	21.8	3,238	13.7	19.0	21.2
Upper	15	25.0	29.0	5,175	48.5	32.4	33	29.5	30.6	11,133	47.1	43.8	41.2
Unknown	4	6.7	8.5	453	4.2	29.3	4	3.6	13.9	840	3.6	16.8	0.0
Total	60	100.0	100.0	10,677	100.0	100.0	112	100.0	100.0	23,631	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	12.1	0	0.0	7.3	0	0.0	11.5	0	0.0	6.3	20.1
Moderate	0	0.0	21.9	0	0.0	14.7	0	0.0	21.3	0	0.0	14.3	17.5
Middle	0	0.0	25.1	0	0.0	20.7	0	0.0	26.2	0	0.0	21.3	21.2
Upper	0	0.0	38.9	0	0.0	55.7	0	0.0	38.8	0	0.0	55.6	41.2
Unknown	0	0.0	2.1	0	0.0	2.2	0	0.0	2.2	0	0.0	2.5	0.0
Total	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	0	0.0	100.0	100.0
Total Home Mortgage Loans													
Low	70	14.3	13.2	8,673	6.9	6.4	111	19.2	11.4	15,124	10.2	5.3	20.1
Moderate	135	27.6	23.2	25,781	20.5	16.7	139	24.1	22.8	25,741	17.4	15.1	17.5
Middle	115	23.5	22.3	30,003	23.8	19.6	127	22.0	22.4	31,454	21.3	19.5	21.2
Upper	163	33.3	30.7	60,282	47.9	42.7	193	33.4	31.8	73,955	50.0	46.3	41.2
Unknown	6	1.2	10.7	1,158	0.9	15.3	7	1.2	11.7	1,728	1.2	13.8	0.0
Total	489	100.0	100.0	125,897	100.0	100.0	577	100.0	100.0	148,002	100.0	100.0	100.0
Source: 2024 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.													

Small Business Loans

First State Bank's distribution of small business loans reflects poor penetration among businesses of different sizes. Within the sample of small business loans reviewed, 30.9 percent were originated to businesses with gross annual revenues equal to or less than \$1 million, falling significantly below the percentage of total businesses of the same size operating in the assessment area at 90.5 percent. In 2024, of the 21 loans originated to businesses with gross annual revenues of \$1 million or less, 33.3 percent of them were in the amount of \$100,000 or less, which are considered to be the most impactful to small businesses. Additionally, First State Bank supports small business lending by offering both real estate and non-real estate secured SBA loans.

The following table presents the 2024 borrower distribution of small business loans in the assessment area.

Distribution of 2024 Small Business Lending By Revenue Size of Businesses					
Assessment Area: Warren-Troy-Farmington Hills, MI MD 47664					
	Bank Loans				Total Businesses %
	#	%	\$(000)	%	
By Revenue					
\$1 Million or Less	21	30.9	6,929	34.2	90.5
Over \$1 Million	45	66.2	12,560	62.0	8.7
Revenue Unknown	2	2.9	777	3.8	0.8
Total	68	100.0	20,266	100.0	100.0
By Loan Size					
\$100,000 or Less	21	30.9	1,331	6.6	
\$100,001 - \$250,000	17	25.0	3,065	15.1	
\$250,001 - \$1 Million	30	44.1	15,869	78.3	
Total	68	100.0	20,266	100.0	
By Loan Size and Revenues \$1 Million or Less					
\$100,000 or Less	7	33.3	418	6.0	
\$100,001 - \$250,000	5	23.8	923	13.3	
\$250,001 - \$1 Million	9	42.9	5,588	80.6	
Total	21	100.0	6,929	100.0	
Source: 2024 FFIEC Census Data 2024 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey					
Note: Percentages may not total 100.0 percent due to rounding.					

Response to Complaints

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

COMMUNITY DEVELOPMENT TEST

The bank's performance relative to the community development test is Satisfactory.

Lending, Investment, and Services Activities

First State Bank demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services.

Lending

During the evaluation period of March 15, 2022, through August 4, 2025, First State Bank originated 32 community development loans totaling \$51.7 million. Of these, \$33.4 million directly benefited the bank's assessment area, while \$17.1 million had an impact on the broader statewide or regional area, including the bank's assessment area. Given that the bank demonstrates adequate responsiveness to the community development needs of its assessment area, credit was also given to three loans totaling \$1.2 million made to the broader statewide or regional area. The majority of community development loans, 53.1 percent by number and 68.3 percent by dollar amount, were made with the purpose of revitalization and stabilization. Of the remaining 15 community development loans, five were for affordable housing, five went towards economic development, and five were to organizations engaged in community service activities for low- and moderate-income individuals. Although the number of community development loans has decreased since the previous evaluation, the bank increased its community development lending dollars by 85.9 percent.

Investments

During the evaluation period, First State Bank made one community development investment totaling \$438,016. This investment was in the form of a mortgage-backed security and was qualified for affordable housing inside the bank's assessment area. In addition, the bank made 54 qualified donations totaling \$242,243 to community organizations with a focus on community services that primarily benefit low- and moderate-income individuals and families, affordable housing, and economic development. Over half of the bank's donation dollars (\$139,047) were qualified for economic development and affordable housing, with 100.0 percent of the dollars given inside the assessment area. Nearly all of the bank's qualified donations were made within the bank's assessment area, with 5.5 percent by dollar amount going to organizations that serve the broader statewide or regional area, including the bank's assessment area. Compared to the previous evaluation, the bank made one additional donation but had a 24.0 percent decrease in total dollars donated.

Services

First State Bank staff provided 391 hours of community development services to 23 different organizations during the evaluation period. Bank staff are frequently involved with financial literacy programs: both directed at students and younger adults, and small businesses. All of the bank's community development service hours were dedicated to organizations with a focus on community service and economic development, both in the assessment area and the broader statewide or regional area, including the bank's assessment area. Although the total number of community service hours decreased slightly from the previous evaluation, the bank was able to serve an additional five community service organizations during this evaluation period.

As stated above in the Description of Institution section, the bank closed a branch and full-service ATM in October of 2022. This branch was located in a moderate-income census tract. Customers were supported through the transfer to the main office located 1.7 miles away. First State Bank's ability to meet the credit needs of its communities was not diminished by the closing of this branch.

The following table presents First State Bank's qualified community development activities during the evaluation period.

Community Development Activities March 15, 2022, through August 4, 2025										
Type of Activity	Affordable Housing		Economic Development		Activities that Revitalize/Stabilize		Community Services		Totals	
	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours	#	\$/Hours
Loans	5	5,272,996	5	6,152,950	17	35,336,672	5	4,965,000	32	51,727,618
Investments	1	438,016	0	0	0	0	0	0	1	438,016
Donations	6	73,750	8	65,297	2	1,150	38	102,046	54	242,243
Services	0	0	11	47.5	0	0	63	343	74	391

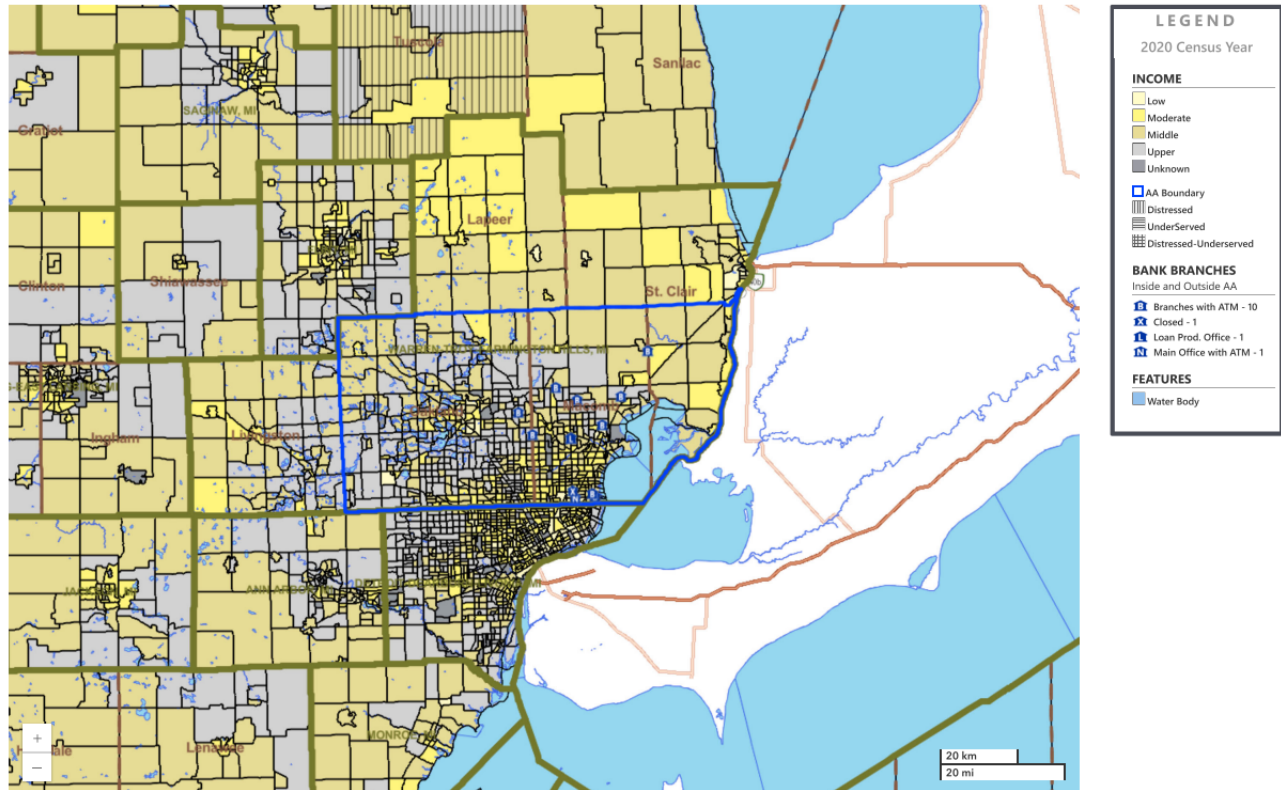
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – Maps of Assessment Areas

First State Bank 113740

Warren-Troy-Farmington Hills, MI MD 47664



APPENDIX B – 2023 Demographics Table

2023 Warren-Troy-Farmington Hills, MI MD 47664 AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	31	5.1	19,126	3.4	4,744	24.8	113,162	20.1
Moderate	147	24.0	126,614	22.5	12,868	10.2	98,484	17.5
Middle	231	37.7	220,829	39.2	10,792	4.9	119,107	21.2
Upper	186	30.4	195,891	34.8	4,805	2.5	231,908	41.2
Unknown	17	2.8	201	0.0	105	52.2	0	0.0
Total AA	612	100.0	562,661	100.0	33,314	5.9	562,661	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	45,126	13,997	2.2	31.0	26,068	57.8	5,061	11.2
Moderate	234,729	133,159	20.7	56.7	86,532	36.9	15,038	6.4
Middle	370,328	259,967	40.5	70.2	90,268	24.4	20,093	5.4
Upper	285,585	234,329	36.5	82.1	37,341	13.1	13,915	4.9
Unknown	532	292	0.0	54.9	187	35.2	53	10.0
Total AA	936,300	641,744	100.0	68.5	240,396	25.7	54,160	5.8
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	5,917	4.9	5,028	4.6	852	8.3	37	3.9
Moderate	26,017	21.4	23,481	21.3	2,377	23.1	159	16.9
Middle	44,025	36.2	40,358	36.5	3,337	32.5	330	35.0
Upper	44,108	36.3	40,553	36.7	3,156	30.7	399	42.3
Unknown	1,606	1.3	1,038	0.9	550	5.4	18	1.9
Total AA	121,673	100.0	110,458	100.0	10,272	100.0	943	100.0
Percentage of Total Businesses:				90.8		8.4		0.8
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	13	2.0	13	2.1	0	0.0	0	0.0
Moderate	81	12.6	79	12.6	2	11.8	0	0.0
Middle	303	47.0	296	47.1	7	41.2	0	0.0
Upper	246	38.1	238	37.9	8	47.1	0	0.0
Unknown	2	0.3	2	0.3	0	0.0	0	0.0
Total AA	645	100.0	628	100.0	17	100.0	0	0.0
Percentage of Total Farms:				97.4		2.6		0.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

APPENDIX C – Scope of Examination

SCOPE OF EXAMINATION			
TIME PERIOD REVIEWED	Loan-to-Deposit Ratio: March 31, 2022 – March 31, 2025 HMDA-Reportable Loans: January 1, 2023 – December 31, 2024 Small Business Loans: January 1, 2024 – December 31, 2024 Community Development: March 15, 2022 – August 4, 2025		
FINANCIAL INSTITUTION			PRODUCTS REVIEWED
First State Bank			HMDA-Reportable Loans Small Business Loans
AFFILIATE(S)	AFFILIATE RELATIONSHIP		PRODUCTS REVIEWED
N/A	N/A		N/A
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Warren-Troy-Farmington Hills, MI MD #47664	Full Scope Review	N/A	N/A

APPENDIX D – Glossary

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Affordability ratio: To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

Aggregate lending: The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

American Community Survey Data (ACS): The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.¹

Area Median Income (AMI): AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment area: Assessment area means a geographic area delineated in accordance with section 228.41

Automated teller machine (ATM): An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

Bank: Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

¹ Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

Branch: Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

Census tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSAs): Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

Community Development: The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

Community Development Loan: A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
 - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
 - b. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service: A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

Consumer loan: A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, other consumer secured loan, includes loans for home improvement purposes not secured by a dwelling, and other consumer unsecured loan, includes loans for home improvement purposes not secured.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male household and no wife present) or "female householder" (a family with a female householder and no husband present).

Fair market rent: Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

Full review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

Geography: A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act: The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

Home mortgage loans: Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Income Level: Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).

Limited-purpose bank: This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

Limited review: Performance under the Lending, Investment, and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

Loan location: Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

Loan product office: This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area: A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan area: This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

Small Bank: This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.

Small Business Loan: This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Wholesale Bank: This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).