

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 operations 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 **Bank of Lenawee, Adrian, Michigan** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **March 25, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The Bank of Lenawee (BOL) aggressively promotes economic revitalization and growth, given its size, financial capacity, location and current economic conditions. The bank's CRA program is responsive to the community's credit needs and reflects its commitment to meeting the credit needs of the entire assessment area. The bank's consistently high loan-to-deposit ratio, the high percentage of loans within the assessment area, innovative methods of delivering bank services, and excellent dispersion of loans, both geographically and among borrowers of different income levels, evidence the bank's outstanding performance. Management is knowledgeable of antidiscrimination laws and has developed adequate policies, procedures and training programs to prevent discrimination in its lending and credit activities. No discriminatory lending practices or practices which would intend to discourage loan applicants were detected during the examination. Further, no complaints were received by the institution regarding its CRA performance since the previous examination.

The following table indicates the performance level of **Bank of Lenawee, Adrian, Michigan** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	BANK OF LENAWEЕ PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans	X		
Services	X		
Response to Complaints	NO COMPLAINTS RECEIVED SINCE THE PREVIOUS EXAMINATION		

DESCRIPTION OF INSTITUTION

The Bank of Lenawee (BOL), with total assets of \$183 million as of December 31, 1995, is a subsidiary of Lenawee Financial Corporation, a one-bank holding company located in Adrian, Michigan. The bank operates a main office in Adrian and seven full-service branch offices (see the Services criterion for a list of locations). The bank also operates a Mobile Bank which serves as a branch office. There is lending authority at the branch level and all consumer loans can be closed at the branches. The bank also has two on-premise and eight off-premise automated teller machines (ATMs).

BOL's primary business focus is retail banking, with real estate loans being its predominant product. Based upon information contained in the December 31, 1995 Report of Condition, approximately 66.7% of the bank's loan portfolio is comprised of real estate loans, with 33.8% of real estate loans secured by one-to-four family residences. Commercial real estate, agricultural real estate, commercial/industrial and consumer loans comprise 14.9%, 14.2%, 13.4% and 12.1%, respectively, of the bank's loan portfolio. Mortgage loans include conventional loans with financing up to 90% loan-to-value with private mortgage insurance (PMI) coverage, construction loans, mobile home loans and home equity loans. Consumer loan products consist of personal and home equity lines of credit, automobile loans, overdraft protection loans, unsecured and secured personal loans, and credit cards. The bank sold its student loan portfolio to Old Kent Bank, Grand Rapids, and forwards applications for student loans to Old Kent Bank for processing. The bank sells real estate mortgages on the secondary market (Fannie Mae) and participates in various government-insured loan programs. It also participates in the City of Adrian Capital Access Fund Program.

The bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, product offerings, location and current economic conditions and does not face any legal impediments which would constrain its CRA activities

The bank's competitors include branches of United Bank & Trust Company (Adrian); Onsted State Bank, (Onsted); Hillsdale County National Bank (Hillsdale); Adrian State Bank (Adrian); and Old Kent Bank of Hillsdale (Hillsdale). Additional competition is provided by local savings and loan associations and credit unions.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The City of Adrian, in Lenawee County, serves as a bedroom community to Toledo, Ohio (which is approximately 25 miles southeast of Adrian). The bank's assessment area is defined as a rectangularly-shaped area which includes all of Lenawee County and portions of Jackson, Monroe, Hillsdale, Washtenaw, Lucas, Fulton and Williams Counties. The assessment area contains a total of 43 census tracts/block numbering areas (CTs/BNAs), 38 CTs and five BNAs. The following illustration better defines this area and shows the percentage of total CTs/BNAs for each county that falls within the assessment area.

Lenawee County: all CTs within the county, 601 to 620 [100%]

Hillsdale County: BNAs - 501, 506, 510, 511 [33.33%]
Jackson County: CTs - 63, 68 [6.25%]
Monroe County: CTs - 8307, 8308, 8329, 8330, 8333, 8338, 8339 [17.95%]
Washtenaw County: CTs - 4310, 4320, 4240 [3.70%]
Fulton County (Ohio): CTs - 401, 405, 406, 408 [44.44%]
Lucas County (Ohio): CTs - 92, 93 [1.54%]
Williams County (Ohio): BNA - 9501 [no BNA information available for the county]

The Lenawee and Washtenaw counties portion of the assessment area (23 census tracts) is located within the Ann Arbor Metropolitan Statistical Area (MSA). Nine of the tracts in Lenawee County are designated as moderate-income census tracts. There are no low-income or minority census tracts within the bank's assessment area. County maps and discussions with management revealed that approximately 85% of the bank's assessment area is in Lenawee County. In addition, small portions of the bank's assessment area are part of the following MSAs: Jackson County - Jackson MSA, Monroe County - Detroit MSA; Fulton, Lucas and Williams Counties - Toledo, Ohio MSA.

According to 1990 U.S. census data, the population in the bank's assessment area is 197,038 with the City of Adrian (population 22,097) being the most heavily populated community in the assessment area. The racial makeup of the population is as follows: Whites - 186,902 or 94.9%; individuals of Hispanic decent - 6,652 or 3.4%; Blacks - 1,939 or 1%; and all other minorities - 5,090 or 2.6%. Additionally, Adrian has the largest minority population with 699 Blacks, 162 Asians and 132 all other minorities. All other communities within the assessment area have a minority population of less than 150 individuals; however, the demographics of the population in the assessment area are somewhat skewed because there are five correctional facilities (prisons) within the community. A February, 1996 report obtained from a prison warden of one of the facilities, revealed that these prisons house approximately 5,665 inmates, of which 3,239 or 57.18% are minority individuals. This represents 3% of the low-income population in the bank's assessment area. Further, there are two colleges within the assessment area that have a combined student enrollment of approximately 3,000.

Based upon 1990 U.S. census data, there are a total of 75,737 housing units located in the bank's assessment area, of which 54,986 or 72.6% are owner-occupied units; 13,354 or 17.6% are rental units; and 7,397 or 9.8% are vacant units. One-to-four family unit homes account for the majority (66,417 or 87.7%) of the assessment area's housing, while multifamily and mobile homes comprise 3,147 (4.2%) and 5,483 (7.2%), respectively, of the remaining housing units. The median age of homes in the bank's assessment area is 44 years (29,232 or 38.6% were built prior to 1950). The median housing value is \$61,631.

The following charts illustrate the most recently available employment trends, based on the U.S.

Department of Labor Statistics, for Lenawee County:

Establishment Employment	1990	1993	Difference by #	% Change
Total	38,721	40,172	1,451	3.7%
Farm	1,553	1,500	(53)	(3.4%)
Non-Farm Proprietors	5,582	5,653	71	1.3%
Non-Farm Wage & Salary	31,586	33,019	1,433	4.5%

Employment by Industry	1990	1993	Difference by #	% Change
Farm	1,989	1,876	(113)	(5.7%)
Manufacturing	9,426	10,185	759	8.1%
Construction	1,412	1,563	151	10.7%
Mining	29	26	(3)	(10.3%)
Government	5,560	5,461	(99)	(1.8%)
Private Service-Producing				
Transportation & Utilities	1,052	1,009	(43)	(4.1%)
Finance/Insurance/Real Estate	2,019	1,943	(76)	(3.8%)
Retail & Wholesale Trade	7,664	8,489	825	10.8%
Service	9,570	9,620	50	.5%
Total	38,721	40,172	1,451	3.7%

As the preceding charts indicate, overall employment is relatively stable and appears to be moving away from the agricultural sector and towards the retail and wholesale, construction and manufacturing sectors. The construction and retail/wholesale trade industries experienced the most significant increase in percentage change at 10.7% and 10.8% respectively, while farming experienced a 5.7% decrease from 1990 to 1993; however, discussions with bank management and review of the bank's agricultural portfolio suggests an active and stable agricultural community (in spite of the U.S. Labor statistics).

According to community contacts, the bank's assessment area is experiencing a period of business and housing prosperity. Community contacts indicated that Lenawee County's population is growing rapidly and the county has become the fastest growing housing market in Michigan due to growth in Ann Arbor and Toledo (and to a lesser extent Detroit) and the influx of people relocating from other areas. According to the contacts, the area has an abundance of job

opportunities, compared to the local supply of labor.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including: the Equal Credit Opportunity Act and the Fair Housing Act.

Loan-to-Deposit Ratio Analysis

An analysis of the bank's Consolidated Reports of Condition for the six quarters since the previous examination revealed an average loan-to-deposit (LTD) ratio of 80%. When compared to the December 31, 1995 Uniform Bank Performance Report (UBPR) data, the bank's LTD ratio exceeds the peer group by 10.18%. Overall, the bank's LTD ratio increased by 4.13% and total loans increased by \$12 million or 10.21% since the previous examination. The LTD ratio does not reflect the \$31 million in mortgage loans the bank originated and sold on the secondary market. Additionally, fluctuations in agricultural lending cause the bank's LTD to surge between June and August.

According to the Fall, 1995 American Financial Directory, the bank's primary competitors, Adrian State Bank, UBTC, Onsted State Bank, and Hillsdale County National Bank, had LTD ratios of 81.18%, 79.03%, 70.03% and 61.37%, respectively. The bank's LTD ratio is considered more than reasonable given the institution's size, financial condition, competition and assessment area credit needs.

Lending in Assessment Area

Review of the bank's Home Mortgage Disclosure Act (HMDA) data from October, 1994 through February, 1996 was analyzed to determine the level of lending activity within the assessment area.

Approximately 85% of the bank's assessment area is in Lenawee County; therefore, the scope of the review and the following analyses cover HMDA-reportable lending activity that occurred in Lenawee County (19 census tracts). Results of the analysis revealed the following:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
FHA/FmHA/VA	60	57	95.00%
Purchase-Money	216	196	90.74%
Refinancing	467	424	90.79%
Home Improvement	93	77	82.80%
Total	836	754	90.19%

As the preceding chart illustrates, 90.19% of the HMDA-reportable loans were made within the assessment area (Lenawee County); a high percentage of all loan types were made in the

assessment area. Additionally, analysis of the examination sample of loans recently originated revealed the following distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Consumer Loans:			
Real Estate	20	20	100%
Installment (Direct/Indirect)	21	20	95%
Single Payment	12	11	92%
Home EquiLine (Open-End)	10	10	100%
Home EquiLoan (Closed End)	10	9	90%
Overdraft Protection	12	12	100%
* Visa (Classic/Gold)	10	9	90%
Checkline (Open End)	10	10	100%
* Check Plus (Open End)	8	8	100%
Commercial and Agricultural Loans:	20	17	85%
Total Applications:	133	126	95%

* new credit products offered since the previous examination.

The preceding chart illustrates that a high percentage of loans, by product and in aggregate, in the examination loan sample were made within the assessment area. On a quarterly basis, the bank conducts a self-analysis of lending activity within its assessment area. The most recent analysis in the fourth quarter of 1995, showed that between 85% and 87% of loans were made within the assessment area. Management estimates that approximately 98% of small business and agricultural loans are made to borrowers within the assessment area. A review of the bank's internal loan reports validated this penetration level.

Lending Analysis Based Upon Borrower Income and Size of Business

The bank's HMDA-reportable loans made since the previous examination (October, 1994 through February, 1996), were analyzed to determine the distribution of loans among borrowers of different income levels. Review of HMDA-reportable loans revealed the following income distribution (median income is according to HMDA data) for each real estate loan product:

LOAN TYPE	LOW-INCOME Number/\$000's	MODERATE INCOME Number/\$000's	MIDDLE INCOME Number/\$000's	UPPER-INCOME Number/\$000's
FHA/FmHA/VA	2/ \$64	24/ \$1,359	32/ \$2,148	2/ \$157
Purchase-Money	25/ \$805	62/ \$2,811	73/ \$4,161	56/ \$4,322
Refinancing	26/ \$861	83/ \$3,805	185/ \$10,045	173/ \$14,200
Home Impr.	25/ \$266	37/ \$367	20/ \$231	11/ \$184
Total	78/ \$1,996	206/ \$8,342	310/ \$16,585	242/ \$18,863

There were no multifamily loan originations

	Low-Income	Moderate-Income	Middle-Income	Upper-Income
Total Loans	78	206	310	247
Percentage of Total	9.27%	24.49%	36.86%	29.37%
Total (\$000's)	1,996	8,342	16,585	19,235
Percentage \$	4.32%	18.07%	35.93%	41.67%

The preceding charts indicate that lending activity is distributed among borrowers of different income levels; 33.8% of total loans were made to low- or moderate-income individuals.

Of the 19 census tracts which are covered by HMDA data, nine are designated as moderate-income tracts and 10 are designated as middle-income tracts. Although there are no low-income census tracts within this area, a large volume (bank-84.56% versus market-74.03%) of the bank's loans, when compared to the market aggregate, were to low-income borrowers, according to 1994 HMDA data (1995 data for the aggregate was not available). Additionally, as illustrated in the following charts, in 1994, the bank's origination rate for all loan applications received from low- or moderate-income individuals exceeded the market aggregate.

1994 Activity to Assessment Area Aggregate by Census Tract Income Level Totals, by Product						
Home Purchase						
Census Tract Income Level	Bank of Lenawee			Assessment Area Aggregate		
	Apps	Origs	% of Apps	Apps	Origs	% of Apps
Low- and Moderate-	108	90	83.33	527	380	72.11
Middle	94	81	86.17	836	629	75.24
High	0	0	0	0	0	0
Total	202	171	84.65	1,363	1,009	74.03
% of Del. Agg. Home Purchase Activity	12.91	14.49				
% of Total Activity	33.39	31.55		43.04	43.74	

Refinancings						
Census Tract Income Level	Bank of Lenawee			Assessment Area Aggregate		
	Apps	Origs	% of Apps	Apps	Origs	% of Apps
Low- and Moderate-	206	198	96.12	409	291	71.15
Middle	102	97	95.10	694	521	75.07
High	0	0	0	0	0	0
Total	308	295	95.78	1,103	812	73.62
% of Del. Agg. Refinancing Activity	21.83	26.65				
% of Total Activity	50.91	54.43		34.83	35.20	
Home Improvement						
Census Tract Income Level	Bank of Lenawee			Assessment Area Aggregate		
	Apps	Origs	% of Apps	Apps	Origs	% of Apps
Low- and Moderate-	49	39	79.59	310	216	69.68
Middle	40	37	92.50	397	270	68.01
High	0	0	0.00	0	0	0.00
Total	95	76	80.00	701	486	69.33
% of Del. Agg. Home Improvement Activity	11.93	13.52				
% of Total Activity	15.70	14.02		22.13	21.07	
Grand Totals	605	542	89.59	3,167	2,307	72.84

A six-month sample of commercial and agricultural loans was also reviewed. All loans in the sample (with the exception of five) were in amounts less than \$1 million. The sample was comprised of 169 agricultural loans (totaling \$7.2 million) in amounts ranging from \$2,000 to \$380,000 and 202 commercial loans (totaling \$22.9 million) in amounts ranging from \$1,200 to \$2 million. With the absence of annual revenue information in the credit files of the businesses or farms sampled, loan size was used as a proxy to determine if the distribution of lending to businesses of different sizes is reasonable.

A review of the bank's 1993, 1994 and 1995 Consolidated Reports of Condition (as of June 30) revealed the following loan distribution to small businesses and small farms:

Loan \$ Category (000's)	1995 #	\$	% of total \$	1994 #	\$	% of total \$	1993 #	\$	% of total \$
Small Business									
\$100 or less	193	4,136	38.47%	250	3,277	38.14%	175	2,837	41.16%
\$100 - \$250	29	3,027	28.15%	22	2,102	24.46%	12	1,804	26.18%
\$250 - \$1 million	13	3,589	33.38%	14	3,213	37.40%	6	2,251	32.66%

TOTAL	235	10,752		286	8,592		193	6,892	
Loan \$ Category (000's)	1995 #	\$	% of total \$	1994 #	\$	% of total \$	1993 #	\$	% of total \$
Commercial Real Estate									
\$100 or less	101	4,186	27.00%	123	5,854	45.26%	136	4,417	40.94%
\$100 - \$250	30	4,441	28.65%	23	2,319	17.93%	18	2,532	23.47%
\$250 - \$1 million	17	6,875	44.35%	13	4,761	36.81%	10	3,840	35.59%
TOTAL	148	15,502		159	12,934		164	10,789	

Loan \$ Category (000's)	1995 #	\$	% of total \$	1994 #	\$	% of total \$	1993 #	\$	% of total \$
Farmland									
\$100 or less	183	7,038	39.31%	210	7,327	42.67%	187	6,770	48.46%
\$100 - \$250	54	6,004	33.53%	54	6,805	39.63%	35	4,540	32.50%
\$250 - \$1 million	13	4,864	27.16%	12	3,039	17.70%	10	2,661	19.05%
TOTAL	250	17,906		276	17,171		232	13,971	
Small Agricultural									
\$100 or less	354	5,579	51.35%	469	5,963	65.55%	259	3,885	56.60%
\$100 - \$250	24	2,377	21.88%	27	2,301	25.29%	20	2,226	32.43%
\$250 - \$1 million	7	2,909	26.77%	5	833	9.16%	4	753	10.97%
TOTAL	385	10,865		501	9,097		283	6,864	

Although the number of commercial real estate loans and small business loans decreased slightly from 1994 to 1995, the dollar amount between 1993 and 1995 in these categories increased by 43.68% and 56.01%, respectively. During this same period, both the number and outstanding dollar amount of loans secured by farmland and agricultural loans increased; the outstanding dollar amount of loans secured by farmland and agricultural loans increased by 28.17% and 58.29%, respectively. Management attributed these increases to its proactive approach in making commercial loans, as well as the services it offers to commercial customers.

Management attributes the increase in agricultural lending to a special promotion it ran in November, 1993 on farm machinery financing where the bank offered low interest rate (6.99%) agricultural loans. Management stated that this promotion was initiated in response to heightened competition in the assessment area for agricultural loan business. Further, they indicated that its marketing efforts, customer interaction and agricultural expertise are also factors that contributed

to the increase in lending activity. It should be noted that the second quarter (June) Call Reports are not an accurate reflection of the bank's agricultural lending activity, as the peak of the agricultural season is between August and September. Generally, from December through June, the agricultural portfolio decreases as a result of large pay-downs from crop sales.

In addition to the lending activity discussed previously, the bank participates in the following programs which benefit low- or moderate-income individuals:

The Rural Economic Community Development Guaranteed Rural Housing Program (RECD), a program which allows the bank to make loans, using flexible underwriting standards, to low- or moderate- income families for the acquisition of housing in rural areas throughout the State of Michigan. Since the previous examination, (between October 14, 1994 and January 8, 1996), the bank originated 63 RECD loans (totaling \$3.8 million). More than 95% of these loans were made within the bank's assessment area and 28 or 44.44% were made in moderate-income areas

The City of Adrian Community Home Improvement Program (CHIP). This program is offered through the Michigan State Housing Development Authority (MSHDA) loan program, which allows low-income qualified borrowers to obtain a home improvement loan with annual percentage rates (APRs) ranging between one and ten percent, based on the applicants' gross annual household income. Loan proceeds are used for improvements on single family, condominium, mobile homes and trailers (designated as the applicant's primary residence) that substantially protect or improve the livability or energy efficiency of the property. Since the previous examination, (between October, 1994 to February, 1996), the bank originated 20 loans (totaling \$69,655) under this program; 13 or 65% of these loans were made in moderate-income areas.

Small Business Administration (SBA), Farmers Home Administration (FmHA), Michigan Guaranteed Student Loan Program (MGSLP) and Michigan Capital Access Fund (MCAF). The following chart illustrates the bank's activity in these programs:

LOAN TYPE	OUTSTANDING # and \$	SINCE PREVIOUS EXAMINATION # and \$
SBA	4 / \$278,848	4 / \$287,000
FmHA	76 / \$192,049	26 / \$1,542,716
MCAF	31 / \$501,362	23 / \$391,977
MGSLP	328 / \$1,118,387	278 / 852,459

All SBA loans were made to businesses located in moderate-income areas within the bank's assessment area. While SBA and FmHA loan programs play an important part in community development, participation in the MCAF also assists the bank in expanding its presence in the market and meeting the borrowing needs of small entrepreneurs within the

assessment area. The program provides the bank with flexibility in credit underwriting, a streamlined process for making business loans that do not conform to conventional standards, and the ability to make loans in small dollar amounts (the average loan size is \$50,000 but can range from \$400 to \$1.5 million).

Additionally, the bank purchased a \$750,000 participation interest in a \$2.2 million loan made to a limited partnership for the purchase and construction of a low-income modular housing community. Since the previous examination, the bank purchased an interest in four loans totaling \$3.7 million (including the aforementioned \$750,000).

The bank’s performance in making loans to individuals and businesses of different income levels and sizes, given the demographics of the assessment area, is considered strong.

Geographic Distribution of Loans

The MSA portion of the bank’s assessment area is comprised of 19 census tracts; nine are designated as moderate-income tracts and 10 are designated as middle-income tracts. There are no low- or upper-income tracts within the bank’s assessment area. The HMDA data represents lending activity in the MSA portion (Lenawee County) of the bank’s assessment area and reflects activity for a 26-month period. The following chart represents the distribution of the bank’s HMDA-reportable lending activity since the previous examination:

	Census Tract	Population	Number of Loans	Dollar Amount (000's)	Percent By Number	Percent By \$ Amount
**	N/A	-	82	3,864	9.81%	8.44%
	601	3,335	16	1,256	1.91%	2.74%
	602	5,389	12	965	1.44%	2.11%
	603	6,906	48	3,803	5.74%	8.31%
*	604	6,476	51	3,621	6.10%	7.91%
*	605	3,393	33	1,964	3.95%	4.29%
	606	3,739	79	5,019	9.45%	10.96%
	607	5,549	52	3,542	6.22%	7.74%
*	608	3,059	12	735	1.44%	1.61%
	609	3,863	21	1,550	2.51%	3.39%
	610	4,057	10	504	1.20%	1.10%
	611	2,910	13	912	1.56%	1.99%
	612	1,999	12	533	1.44%	1.16%
*	613	8,710	50	1,780	5.98%	3.89%
*	614	4,419	35	1,390	4.19%	3.04%

	Census Tract	Population	Number of Loans	Dollar Amount (000's)	Percent By Number	Percent By \$ Amount
	615	5,863	51	3,183	6.10%	6.95%
*	616	3,134	16	518	1.91%	1.13%
	617	6,426	57	3,100	6.82%	6.77%
*	618	4,144	58	2,432	6.94%	5.31%
*	619	4,928	102	3,847	12.20%	8.40%
*	620	3,177	26	1,268	3.11%	2.77%
	* Moderate Income					

** This row presents HMDA loan activity outside Lenawee County

As the preceding chart illustrates, the bank originated loans in all tracts within the MSA portion of its assessment area, including the moderate-income tracts. Generally, the lending activity for each tract is commensurate with the population of the tract, as well as, the location of the bank's branches. Five (604, 613, 614, 618 and 619) of the nine moderate-income tracts, when compared to the percentage for all lending activity, showed significant lending activity. The highest number of HMDA-reportable loans made between October, 1994 and February, 1996 was in a moderate-income tract census tract (619). The bank originated more than 21% of its HMDA-reportable loans (made between October, 1994 and February, 1996) within the City of Adrian, the location of the bank's main office. Three (613, 614, 616) of the four census tracts within the City of Adrian are considered moderate-income tracts

The bank's performance in making loans throughout the assessment area, including moderate-income census tracts, is strong. Lending activity is dispersed and penetrates census tracts throughout the assessment area. No evidence of irregular lending patterns were detected.

Pursuant to management's request, the examination team evaluated the bank's performance in providing services that enhance credit availability in its assessment area.

Services

The bank's hours of service, types of services offered, the location and availability of ATM machines, and comments made by community contacts were reviewed to determine if the bank's facilities are easily accessible, and if hours of operation and the type of services rendered are reasonable.

The bank has opened one full-service branch (Mobile Bank) and five off-site Automatic Teller Machines (ATMs) since the previous examination. The bank has not closed any offices. Each facility's location and hours of operation are as follows:

Adrian Offices

135 E. Maumee (Main Office)**

300 N. Main **

1701 W. Maumee *
M-THUR 9 a.m. - 4:30 p.m.
SAT 9 a.m. - Noon

Hudson Offices

226 W. Main **
539 S. Meridian**
M-THUR 9 a.m. - 4:30 p.m.
SAT 9 a.m. - Noon

Morenci Office

211 W. Main **
M-THUR 9 a.m. - 4:30 p.m.
FRI 9 a.m. - 5:30 p.m.
SAT 9 a.m. - Noon

Waldron Office

102 E. Center
M - THUR 9:00 a.m. - 3:00 p.m.
FRI 9:00 a.m. - 4:00 p.m.
SAT 9:00 a.m. - 11:00 a.m.

Mobile Bank

8901 N. Onsted Hwy.
Onsted, Michigan

Chicago West Plaza
Tecumseh, Michigan

TUES - FRI 10:00 a.m. - 7:00 p.m.
SAT 10:00 a.m. - 5:00 p.m.

* These branch offices are closed on Saturdays

** These branch offices are located in low- or moderate-income census tracts

With the exception of the main office in Adrian and the branch office in Hudson, all offices have drive-up service with hours of operation generally coinciding with the lobby hours (with the exception of the Waldron office, which closes at 11:00 a.m. on Saturday). The mobile bank business hours, particularly the closing hours on weekdays and Saturdays, extend beyond any competitors within the bank's assessment area.

In addition to the services the bank provides at each of its facilities, since the previous examination, the bank developed the following innovative methods for delivering its services to the assessment area.

Mobile Banking Courier Service

In October of 1994, the BOL started mobile bank courier service for business customers. This three-fleet vehicle system makes 83 stops to area businesses in Lenawee, Hillsdale and Washtenaw Counties. The mobile courier service travels approximately 390 miles per day, making stops at businesses to pickup deposits, deliver change orders, receipts, bank statements and other information. The service is available seven days per week, providing commercial customers safety, security and convenience.

Mobile Bank

In August of 1995, the bank began operation of its 41-foot Mobile Bank, a full-service branch on wheels. The mobile bank generally operates Tuesday through Friday 10:00 a.m. to 7:00 p.m., and Saturday 10:00 a.m. to 5:00 p.m. On Tuesday, Wednesday and Thursday, the mobile bank is in Tecumseh, Michigan, and on Friday and Saturday it is in Onsted, Michigan. Management stated that the Mobile Bank is routed to deliver banking services to sections of the assessment area with no bank offices. The mobile bank has two cash dispensing ATMs, and customers can make deposits, withdrawals, open accounts, apply for and close loans at the mobile bank. Further, on the 1st, 2nd and 3rd day of each month, the mobile bank makes stops at three senior citizen housing complexes to serve residents that are customers of the bank; two of the complexes served are subsidized low-income housing. Senior citizens using the mobile bank are not charged for cashing their social security checks, and receive money-orders free of charge.

Telephone Banking

On March 1, 1996, the bank introduced its 24-hour telephone banking system which allows customers to bank 24 hours a day. With telephone banking, customers can quickly and easily access the following information:

- C make account balance inquiries
- C determine the last six transactions on checking bank accounts
- C verify interest paid and earned information during tax time
- C obtain rate and product information for all credit/products offered by the bank
- C apply for a loan

Community Development Services

BOL provides technical and financial expertise to members of the community. The bank participated in a Realtor Open House@seminar where approximately 125 community members

were given credit counseling and information on how to obtain and use credit. Additionally, senior management and other bank staff participated in the AHome Show 95, a seminar sponsored by the Lenawee County Association of Home Builders, where they discussed the mortgage application and approval process, and answered questions about bank services. Further, the bank participated in the AHome Buyers Seminar which covered topics that centered around the process for obtaining a mortgage loan and focused on first-time home buyers. Additionally, a member of senior management was appointed to the Adrian Citizens Advisory Committee to serve in an advisory capacity in the application for and distribution of Lenawee County federal loans and grant funds from various programs primarily for low-income housing. Other efforts include management participation in a City of Adrian AHomeowners Workshop and participation in the Hudson subcommittee to investigate ways to provide low-cost financing to qualified local low-income families for home improvement purposes.

The bank's performance in delivering its services to individuals and businesses within the assessment area is considered exceptional. The methods employed by the bank to deliver services are innovative and reach all areas of the community. Both the courier service and mobile bank have significantly expanded the bank's presence in the community in a flexible, customer-oriented manner, without the expenses associated with traditional, permanent branch facilities.

Response to Substantiated Complaints

No complaints were received by the institution regarding its CRA performance since the previous examination.