

# PUBLIC DISCLOSURE

July 28, 1997

## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: Enterprise Bank  
043956550000  
6150 Enterprise Parkway  
Solon, Ohio 44139-2755

Supervisory Agency: Federal Reserve Bank of Cleveland  
P.O. Box 6387  
Cleveland, Ohio 44101-1387

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

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## **GENERAL INFORMATION**

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of Enterprise Bank prepared by the Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of July 28, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

## **DESCRIPTION OF INSTITUTION**

The sole office of Enterprise Bank ("EB") is located in Solon, Ohio, an eastern suburb of Cleveland, Ohio. The bank, with assets of \$39,132,000 as of March 31, 1997, is a niche bank focusing primarily on commercial loans. As of March 31, 1997, 58.57% of the bank's loan portfolio was comprised of commercial loans and non-farm, non-residential real estate loans. The bank offers a range of consumer-purpose loans, including installment, home equity line of credit, credit card, and overdraft line of credit; however, these loans are provided primarily as an accommodation for commercial customers. The bank also offers real estate mortgage loans, but, because the rates and terms offered by the bank are not competitive in the Cleveland market, the loans generated by EB generally do not conform to secondary market guidelines. Only 21.33% of the loan portfolio mix on March 31, 1997, consisted of residential 1-4 family home mortgage loans. One popular consumer loan program, offered to all consumers, is a tuition loan program arranged with a local parochial school.

EB has no legal or financial constraints that would impede its ability to provide credit to its community. The bank's CRA rating as of its previous examination, June 24, 1996, was "Satisfactory".

## **DESCRIPTION OF CUYAHOGA, GEAUGA, LAKE, AND SUMMIT COUNTIES**

EB's assessment area includes all of Cuyahoga, Geauga, and Lake Counties which are part of the Cleveland-Lorain-Elyria, Ohio, Primary Metropolitan Statistical Area ("PMSA") and Summit County which is part of the Akron, Ohio, Metropolitan Statistical Area ("MSA"). The Cleveland PMSA and Akron MSA make up the Cleveland-Akron, Ohio, Consolidated Metropolitan Statistical Area. All four counties are located in northeastern Ohio. Solon, Ohio, is located in the southeastern corner of Cuyahoga County.

### **SOLON**

Approximately 700 businesses are located in Solon, more than 120 of which are industrial companies. Solon's largest employer is Nestle Frozen Food Company which employs about 2,000 workers. Other large employers include Matrix Essentials, Inc. (hair and skin care products), with approximately 1,200 employees; ITT Automotive with about 560 employees; and Kennametal, Inc. (machine tool products), with about 530 employees.

While the population of Cuyahoga County and the Cleveland metropolitan area remained relatively stable from 1991 to 1996, Solon's population increased an average of about 3.25% per year. As of the 1990 census, Solon's population was 18,548.

## **AGGREGATE ASSESSMENT AREA**

The following table shows the breakdown of census tracts by income demographics for each county within EB's assessment area.<sup>1</sup>

<b>County</b>	<b>Low-Income Tracts</b>	<b>Moderate-Income Tracts</b>	<b>Middle-Income Tracts</b>	<b>Upper-Income Tracts</b>	<b>Total # of Tracts by County</b>
Cuyahoga	122	91	176	110	499
Geauga	1	2	9	8	20
Lake	4	3	44	18	69
Summit	23	27	47	24	121
<b>Total # of Tracts by Income</b>	150	123	276	160	709

As of the 1990 census, the population of the four-county area was 2,223,758.

Based on information from the 1990 census, the median household income for the assessment area was \$29,870. The median family income was \$36,387. Household income includes the income of all residents of a household, whereas family income includes only the income of residents of a household who are related by blood or marriage. For purposes of CRA and demographic analyses, family income is used.

As of 1990, the labor force in the assessment area was approximately 1,091,887 or 62.8% of the population. Based on 1995 statistics compiled by the U. S. Bureau of Labor for Cleveland PMSA, manufacturing is the leading source of employment followed by service industries, retail and wholesale trade, and construction. Within the Akron MSA, the leading source of employment is the service industry, followed by retail and wholesale trade, manufacturing, and government.

## CUYAHOGA COUNTY

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<sup>1</sup>**NOTE:** Low-, moderate-, middle-, and upper-income are defined as follows:

Low-income: Up to 50% of the median MSA family income.

Moderate-income: Greater than 50% up to 80% of the median MSA family income.

Middle-income: Greater than 80% up to 120% of the median MSA family income.

Upper-income: Greater than 120% of the median MSA family income.

As of the 1990 census, Cuyahoga County's population was 1,012,219. Over the past ten years, Cuyahoga County's population has declined slightly, at a rate of about one-half of one percent per year.

The largest employers in the Greater Cleveland area are:

<b>EMPLOYER</b>	<b># OF EMPLOYEES</b>
Federal government	18,500
Ford Motor Company	10,896
Catholic Diocese of Cleveland	10,000
Cleveland Clinic Foundation	9,900
Cleveland Board of Education	9,673
Cuyahoga County Government	9,232
The MetroHealth System	8,328
City of Cleveland	8,226
University Hospitals Health Systems, Inc.	7,640
State of Ohio	7,640
LTV Steel Company	7,500

According to the labor force estimates compiled by the Ohio Bureau of Employment Services, the unemployment rate in Cuyahoga County was 4.9% as of April 1997. This level was slightly higher than both the State of Ohio rate of 4.6% and the national rate of 4.8%.<sup>2</sup>

#### GEAUGA, LAKE, AND SUMMIT COUNTIES

As of the 1990 census, the population of Geauga County was 81,129 which reflects a steady growth over the past 50 years. Some of this growth has resulted from the movement of residents from Cuyahoga County to Geauga County. The county also has a growing Amish population with a current population in excess of 3,500.

Many of the residents of Geauga, Lake, and Summit Counties commute to employment in the Greater Cleveland or Akron area. Major employers in Geauga County are listed in the following table.

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<sup>2</sup>Ohio Labor Market Information, Ohio Bureau of Employment Services.

<b>EMPLOYER</b>	<b>NATURE OF BUSINESS</b>	<b># OF EMPLOYEES</b>
Funtime, Inc.	Amusement park	2,100*
Kraftmaid, Inc.	Manufacturer	1,200
Geauga County	Government	976
Geauga Hospital	Medical care	600
Johnson Rubber Company	Manufacturer	550
Burton Rubber Processing	Manufacturer	500

\*Includes seasonal employees.

Geauga County is also famous for its maple syrup and is the third largest maple producing area in the country. The unemployment rate in Geauga County as of April 1997 was 3.4%.

The population of Summit County has declined since the 1970s and, as of the 1990 census, was approximately 500,000. Major employers in Summit County include divisions of Goodyear. The county's unemployment rate as of April 1997, was 4.4%.

As of the 1990 census, the population of Lake County was approximately 600,000. The unemployment rate for the county as of April 1997 was 4.1%.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The bank's CRA performance was analyzed using interagency examination procedures. The analysis includes the following criteria:

- ! loan-to-deposit ratio;
- ! lending activity inside and outside of the bank's assessment area;
- ! distribution of loans to borrowers of different income levels;
- ! distribution of loans to businesses and farms of different sizes;
- ! reasonableness of the geographic distribution of loans within the bank's assessment area;
- ! bank's response to written complaints regarding its performance in helping to meet the credit needs of the assessment area.

### Loan-to-Deposit Ratio Analysis

Enterprise Bank's loan-to-deposit ratio exceeds regulatory standards given the bank's size and capacity to lend, the credit needs of the assessment area, and the loan-to-deposit ratios of similarly situated and competitor banks. The loan-to-deposit ratio measures the net loans and leases of the bank compared to the total amount of deposits. The loan-to-deposit ratio is calculated for CRA analysis purposes by averaging the quarterly ratios from the quarter ending after the most recent prior CRA examination through to the most current quarter for which accurate data are available.

For EB, the ratio was calculated using four quarterly ratios from June 30, 1996, through March 31, 1997, and equaled 90.20% compared with the peer bank average for the same time period of 65.35%. The peer bank ratio was calculated using the loan-to-deposit ratios of other financial institutions having assets between \$25 million and \$50 million, two or less offices, and located within a metropolitan statistical area.

### Lending Activity Inside and Outside of the Assessment Area

A sample of loans from EB's two major loan products: commercial loans and tuition loans, was selected for review. Of the loans sampled, 97% of the commercial loans and 100% of the tuition loans were to businesses or consumers from within the bank's assessment area.

### Distribution of Loans by Income or Revenue

The bank does not obtain income information from tuition loan applicants; therefore, it was not possible to analyze these loans based on income levels. However, a business revenue analysis was performed on the small business borrowers. Small businesses are defined as entities having gross annual revenues of \$1 million or less. Seventy-eight commercial loans were selected for review of which 33 (63%) were made to small businesses. These 33 loans made up 58% of the dollar amount of the loan sample. Of the loans made to small businesses, 65% were for amounts of \$100,000 or less and 23% were for amounts greater \$100,000 but less than \$250,000. The remainder of the loans were for amounts greater than \$250,000 but less than \$1 million.

The analysis shows a reasonable distribution of loans to small business borrowers, especially in the area of small dollar loans.

### Geographic Distribution of Loans

An analysis of the distribution of both tuition loans and commercial loans was conducted based on the income demographics of the assessment area. The majority of both loan types were made to borrowers in middle- and upper-income census tracts. The following table shows the distribution

of the tuition loans.

	<b>Low- Income</b>	<b>Moderate- Income</b>	<b>Middle- Income</b>	<b>Upper- Income</b>
Total # of loans	7	29	140	32
% of total loans	3%	14%	67%	15%
Total \$ amount of loans	\$21,300	\$96,745	\$431,180	\$106,325
% of total loans	3%	15%	66%	16%

The loans made under the bank's tuition loan program are only available to those students attending one local parochial school. Therefore, the borrower base is located in an area smaller than the bank's entire assessment area.

The following table shows the distribution of the 76 commercial loans to businesses within the bank's assessment area by the income demographics of the census tracts within the assessment area.

	<b>Low- Income</b>	<b>Moderate- Income</b>	<b>Middle- Income</b>	<b>Upper- Income</b>
Total # of loans	7	6	33	30
% of total loans	9%	8%	43%	39%
Total \$ amount of loans	\$1,160,000	\$464,431	\$3,035,877	\$4,348,786
% of total loans	13%	5%	34%	48%

The largest part of the bank's commercial customer base is located in the immediate area around Solon. As discussed in the description of EB's assessment area, Solon and the surrounding area have a large number of commercial enterprises. This particular area is also a middle- and upper-income area. Therefore, the high percentage of loans made in middle- and upper-income census tracts is reasonable.

#### Bank's Response to Written Complaints Regarding its CRA Performance

Since the previous examination, no complaints were received by the Federal Reserve Bank of Cleveland or by Enterprise Bank regarding the bank's performance under the Community

Reinvestment Act.