

PUBLIC DISCLOSURE

May 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank: The Marblehead Bank
#043936500000
709 West Main Street
Marblehead, Ohio 43440

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 The Marblehead Bank prepared by the Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of May 5, 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".

The Marblehead Bank ("TMB") has a satisfactory record of helping to meet the credit needs of the entire community, consistent with the bank's resources and capabilities. The bank's loan-to-deposit ratio is reasonable, a substantial majority of TMB's loans are within its assessment area, loans are reasonably dispersed throughout the assessment area, and loans reflect a reasonable penetration among individuals of different income levels, including low- and moderate-income individuals and small businesses.

The Marblehead Bank was rated "Outstanding" at the previous CRA examination conducted as of February 27, 1995.

The following table indicates the performance level of The Marblehead Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Marblehead Bank</u> 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	
Response to Complaints	No complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

The Marblehead Bank, Marblehead, Ohio, operates out of a sole office and owns one automated teller machine located in the same office. Management received approval from the Federal Reserve Bank of Cleveland and the State of Ohio, Division of Financial Institutions to establish a branch facility. Management anticipates that the proposed branch office will be opened in September 1997.

The bank reported total assets of \$20.4 million in its March 31, 1997, Report of Condition and Income ("Call Report"). Loans comprise 22.7% of TMB's total assets while investment securities account for 65.15%. Loans secured by real estate are 77.8% of the bank's lending activity and include residential units and commercial buildings. The remainder of the loan portfolio consists of commercial and industrial loans (7.0% of loans), consumer

installment loans (9.2% of loans), and commercial leases (4.0% of loans), and other loans (2.0% of loans).

Distribution of Loans in the Loan Portfolio		
Type of Loan	\$ Amount (In Thousands)	Percentage of Total Loans
Loans Secured by Real Estate:		
One- to four family residential properties	\$3,013	64
Nonresidential properties	437	9
Construction and land development	107	3
Multifamily residential properties	81	2
Consumer Installment and Open-end Loans	432	9
Commercial Loans	327	7
Commercial Leases	188	4
Other	91	2
Total	\$4,676	100

Marblehead Bank offers a variety of loan products including mortgage loans, personal loans, consumer loans, home improvement loans, business/commercial loans, secured and unsecured lines of credit, and commercial leases. Additionally, TMB is able to offer its customers a wider array of mortgage products and financing options via its agreements to act as a third party originator of residential real estate loans for Mid American National Bank & Trust Company ("Mid Am"), Toledo, Ohio, and The Citizens Commercial Bank and Trust Company ("Citizens Commercial"), Celina, Ohio.

As a third party originator, TMB is responsible for soliciting mortgage loan applicants for both purchases and refinances, assisting applicants in the completion of the mortgage loan application, collecting all pertinent documentation, ordering the title search, ordering an appraisal of the subject property, and transmitting the loan application and documentation to the underwriting bank.

TMB's ability to meet the credit needs of its service area is further enhanced by its participation in the Fannie 97 Community Home Buyer's Mortgage Program, a program aimed at assisting low- and moderate-income home buyers, and the Small Business Administration Loan Program.

TMB also originates student loans for the Supplemental Student Loan Program of Ohio and sells the student loans to The Student Loan Funding Corporation.

DESCRIPTION OF ASSESSMENT AREA

The Marblehead Bank has designated Danbury Township as its assessment area. Danbury Township occupies the entire Marblehead Peninsula and contains the villages of Marblehead and Lakeside, Ohio. The Marblehead Peninsula has Lake Erie on its north and east sides and the Sandusky Bay on its south side. The peninsula is located in Ottawa County and lies 40 miles east of Toledo, Ohio, and 70 miles west of Cleveland, Ohio.

The total population of the assessment area is 4,410. Many of the area's residents are retirees who live in warmer climates during the peninsula's off-season or winter months and who return to Marblehead during the summer.

The amenities of its location on Lake Erie make the Marblehead Peninsula a prime resort area for boating and fishing. In addition, access to Lake Erie's Kelley's Island is easy from the ferries which operate from Marblehead. The area's economy is highly dependent on seasonal tourist activity from early May until late October.

The peninsula has few large employers. The major employers on the peninsula are LaFarge Mining Company and Biro Manufacturing. Because of the seasonal nature of the peninsula's economy, unemployment during the "off-season" from early November until late April is very high. The unemployment rate for the month of February 1997 in Ottawa County averaged 10.9% and was significantly higher than the State of Ohio's unadjusted average of 5.9% and the national unadjusted average of 5.7%.

Danbury Township is not located in a Metropolitan Statistical Area; therefore, there are no designated low- to moderate-income areas. The bank's entire assessment area consists of only one block-numbering area. The median family income for the assessment area is \$36,193. Low- and moderate-income families comprise 30.6% of the assessment area's population. Middle- and upper-income families comprise 20.6% and 48.8% of the assessment area's population, respectively.

Although low- and moderate-income families comprise 30.6% of the assessment area's population, the families are dispersed throughout the area. As a result, there are no designated low- to moderate-income neighborhoods.

Owner-occupied dwellings account for 31.6% of the total housing stock within the assessment area, while vacant units account for 62.2%. The high level of vacant units is due to the seasonal resort nature of the assessment area. The remaining housing units are rental units and comprise 6.2% of the total housing stock. The median housing value is \$79,500 and the median gross rent is \$425.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The assessment of the bank's CRA performance included a review of the following five core small institution assessment criteria:

- ! Loan-to-deposit ratio
- ! Lending volume within its assessment area
- ! Geographic distribution of loans within the assessment area
- ! Distribution of loans within the assessment area to low- and moderate-income borrowers and small businesses
- ! Response to complaints..

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is deemed reasonable in light of its size, financial condition, assessment area credit needs, and competition. The eight-quarter average of TMB's loan-to-deposit ratio was 26.76% and is significantly lower than the peer group ratio of 60.9%. However, when adjusted for TMB's sales of student loans and third-party loan originations with Mid-Am and Citizens Commercial, the bank's loan-to-deposit ratio is 47%.

Information contained in the December 31, 1996, Uniform Bank Performance Report indicates that TMB continues to be significantly above the peer group in the origination of construction and development, one- to four-family residential, home-equity, and multifamily mortgage loans. TMB's lower-than-peer levels of loans for agricultural and commercial business purposes are reflective of the seasonal resort nature of the assessment area's economy.

While TMB is the only bank headquartered in Marblehead, the bank has competition from several large financial institutions: Huntington National Bank, Columbus, Ohio; Bank One Fremont, NA, Fremont, Ohio; KeyBank, NA, Cleveland, Ohio; National City Bank, Cleveland, Ohio, both on the peninsula and in nearby Port Clinton. These institutions are able to offer customers a wider selection of credit products than TMB and can price their credit products very competitively.

A review of community development loans was undertaken to determine if the bank's low loan-to-deposit ratio would be enhanced. A community development loan is one that has community development as its primary purpose. The term community development refers to:

- Affordable housing for low- or moderate- income individuals.
- Community services that target low- or moderate-income individuals.
- Activities that promote economic development by financing small businesses or farms.
- Activities that revitalize or stabilize low- or moderate-income geographies.

As a result of the review, two loan relationships which met the definition of a community development loan were identified. TMB continues to fund modular home and mobile home projects with two local developer in an effort to provide affordable housing to low- and moderate-income individuals and families on the peninsula.

Given the seasonal nature of the assessment area's economy, the low demand for commercial loans, the significant portion of the population that are retirees, and the significant amount of competition from large financial institutions in the area, the loan-to-deposit ratio is deemed reasonable.

Lending in Assessment Area

A substantial majority of loans are originated within the bank's assessment area. This conclusion is based on a sample of loans reviewed during the examination. Three loan types were sampled, including residential mortgage loans, consumer loans, and commercial loans.

Overall, 87.7% of the total number of loans and 89.4% of the total dollar amount of loans sampled are within the bank's assessment area. The following table shows the distribution of loans originated in and out of the assessment area.

Distribution of Loans In and Out of the Assessment Area								
Loan Type	Inside				Outside			
	Number of Loans Sampled	%	Amount of Loans (in 000s)	%	Number of Loans Sampled	%	Amount of Loans (in 000s)	%
Residential Loans	43	91	2,337	92	4	9	212	8
Consumer Loans	79	88	1,248	89	11	12	148	11
Commercial Loans	14	78	586	81	4	22	136	19

Geographic Distribution of Loans

The bank's overall geographic distribution of loans reflects a reasonable dispersion throughout the bank's assessment area. TMB tracks the loans it originates on a map. According to the map, the majority of loans are originated around the outer rim of the peninsula. This is due in large part to the composition of the middle of the peninsula which is comprised of a stone quarry, farm land, and nature wetlands and preserves. Additionally, a portion of the northern peninsula is dedicated to the East Harbor State Park.

The assessment area is comprised of only one block numbering area which is considered middle-income.

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

The bank is an active lender to borrowers of different income levels and to businesses of different sizes. Low- and moderate-income families represent 30.6% of the assessment area's population. The bank originated 46 loans, or 38.3% of the loans sampled, to low- and moderate-income borrowers. These loans total approximately \$787,000 and are equivalent to 22.5% of the \$3.5 million of loans sampled. As a result, TMB is deemed to be satisfactorily making loans to borrowers with low- to moderate-income levels.

The following table summarizes TMB's loan originations to borrowers of low-, moderate-, middle, and upper-income categories.

Distribution of Loans Across the Assessment Area by Income Level								
Loan Type	Low Income		Moderate Income		Middle Income		Upper Income	
	#	\$	#	\$	#	\$	#	\$
Residential Loans	4	84,185	7	319,250	4	276,500	27	1,607,403
Percent of Total	10%	4%	17%	14%	10%	12%	64%	70%
Consumer Loans	9	92,453	26	291,067	21	374,029	22	483,864
Percent of Total	12%	7%	33%	23%	27%	30%	22%	39%
Number and Percentage of Families within Census Tract	237 17.1%		188 13.5%		286 20.6%		677 48.8%	

Nearly 82% of TMB's commercial loans were originated to businesses with revenues of less than \$250,000. Because the majority of businesses on the Marblehead Peninsula are small, seasonal operations, the high level of loans originated to small businesses is deemed appropriate.

Response to Complaints

The bank has not received any complaints about its performance in meeting the assessment area's credit needs. Therefore, no assessment of the bank's performance in responding to complaints was made.

The bank is in compliance with anti-discrimination laws. No violations of the Equal Credit Opportunity Act or the Fair Housing Act were noted during the examination.