

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 **Isabella Bank and Trust, Mount Pleasant, Michigan** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 17, 1997**. 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 Satisfactory.

Isabella Bank and Trust generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and assessment area's current economic conditions. The bank's efforts are primarily accomplished through the origination of 1-4 family real estate loans and small business/agricultural loans. The bank's average loan-to-deposit ratio of 75.05% for the most recent six reporting quarters, supports these efforts. All small business and small agricultural loans made during 1996 were made within the bank's assessment area and are reasonably distributed to businesses and farms of various revenue levels. Additionally, a sample of consumer real estate loans originated from July 1996 through December 1996 revealed that 97.78% of all residential real estate loans were made within the assessment area, and are reasonably distributed to applicants of different income levels and geographies. The bank's origination of \$2.83 million in community development loans demonstrates the bank's willingness to provide credit that benefits low- and moderate-income individuals, and help stabilize the assessment area's economy.

Although the bank has not participated in any qualified investments, it has demonstrated a willingness to participate in investment opportunities that supplement community lending activity and benefit community development efforts. The bank's network of branches and automated teller machines (ATMs), and hours of operation provides a reasonable level of accessibility to bank services within the assessment area.

There is no evidence of prohibited discriminatory lending practices, or policies intended to discourage individuals from applying for loans offered by the bank. No CRA related complaints were received by the bank since the previous examination.

The following table indicates the performance level of **Isabella Bank and Trust** with respect to each of the five performance criteria.

PERFORMANCE LEVELS	ISABELLA BANK AND TRUST		
	PERFORMANCE TESTS		
	LENDING TEST	INVESTMENT TEST	SERVICE TEST
OUTSTANDING			
HIGH SATISFACTORY	X		
LOW SATISFACTORY		X	X
NEEDS TO IMPROVE			
SUBSTANTIAL NONCOMPLIANCE			

DESCRIPTION OF INSTITUTION

Isabella Bank and Trust, with total assets of \$298.6 million as of December 31, 1996, is a subsidiary of IBT Bancorp Inc., a one bank holding company. The bank offers a variety of deposit products and services, as well as residential, agricultural, commercial and consumer loans. The bank maintains its main office and Customer Service Center, along with four branches in Mount Pleasant. Seven additional branches are located throughout the bank's assessment area, including a new drive-up facility in Clare. Credit applications are available at the bank's main office and all its branches. The bank also operates 21 automated teller machines (ATMs) throughout the branch system and at various grocery stores, hotels, and local colleges.

The bank's primary competitors are Firstbank, Isabella Community Credit Union, and branches of Chemical Bank Michigan of Clare; State Employees Credit Union of Lansing; First of America Bank-Mid Michigan, N.A., of Kalamazoo; and Mutual Savings Bank, Bay City, all located in Mount Pleasant. Additional competition is realized from Bank of Lakeview in Lakeview; and the main offices of Chemical Bank Michigan and Central Michigan Community Federal Credit Union, both in Clare.

DESCRIPTION OF ASSESSMENT AREA

The bank's main office is located in Mount Pleasant, Michigan, approximately 140 miles northwest of Detroit in Isabella County. The bank's assessment area consists of Isabella County, and portions of Clare, Gladwin, Mecosta, Gratiot, Montcalm, and Midland Counties. Midland County is part of the Saginaw metropolitan statistical area (MSA). The following chart shows the census tracts and block numbering areas (BNAs) included in the assessment area:

County	BNAs/Census Tracts (CTs)	Location in Relation to Isabella County
Isabella	(BNAs) 9501, 9502, 9503, 9504, 9505, 9506, 9507, 9508, 9509, 9510, 9511, 9512	N/A
Clare	(BNAs) 9803, 9804, 9805, 9806, 9807, 9808, 9809, 9810, 9811, 9812	North
Gladwin	(BNAs) 9904, 9905, 9907	Northeast
Midland	(CTs) 2917, 2916, 2914, 2915	East
Gratiot	(BNAs) 9902, 9903, 9904, 9905, 9906	Southeast
Montcalm	(BNAs) 9801, 9802, 9803, 9804, 9805, 9806, 9807, 9808, 9809, 9811, 9812, 9813	Southwest
Mecosta	(BNAs) 9601, 9602, 9608, 9609, 9610	West

There are nine moderate income BNAs or census tracts (17.65%) within the assessment area.

These include BNAs 9803, 9805, 9809, 9810, 9811, and 9812 in Clare County; BNA 9602 in Mecosta County; and census tracts 2914 and 2915 in Midland County. There are no low income geographies in the assessment area. Upper income BNAs include 9503, 9506 and 9512; all in the City of Mount Pleasant. The remainder of the geographies are middle income. According to 1990 census data, the bank’s assessment area has a population of 191,063 of which 54,624, or 29% are Isabella County residents. The Isabella County population includes 16,000 students enrolled at Central Michigan University. The total minority population for the bank’s assessment area is 6,993 (3.7%) and includes 0.7% Blacks, 0.3% Asians, 1.5% Hispanics, and 1.1% Native Americans.

According to 1990 Census data, the median home value in the assessment area was \$43,596 and the median age of housing stock was 34 years. The following chart represents additional housing information.

HOUSING DATA	ASSESSMENT AREA	Percent of Total
Owner Occupied Units	50,548	58.13%
Total Rental Units	16,554	19.04%
Vacant Units	19,854	22.83%
Total Housing Units	<u>86,956</u>	

The median family income was \$26,433 for the assessment area, \$34,727 for the MSA, and \$27,894 for the nonmetropolitan portion of the state. Approximately 24.2% of the assessment area population is low income and 18.7% is moderate income. According to community representatives, actual median income for the Mt. Pleasant area is higher than the nonmetropolitan statewide average because of the incomes and economic activity derived from the local university.

According to Central Michigan University's Center for Applied Research and Rural Studies, the largest employers in Mount Pleasant include the following:

Employer	City	# Employed	Product\Service
CENTRAL MICHIGAN UNIVERSITY	Mount Pleasant	2100	Education
SAGINAW-CHIPPEWA TRIBE OPERATIONS	Mount Pleasant	1600	Gaming
MEIJERS CORPORATION	Mount Pleasant	700	Retail grocery
MORBARK INDUSTRIES	Mount Pleasant	660	Industrial
MOUNT PLEASANT PUBLIC SCHOOLS	Mount Pleasant	650	Education
CENTRAL MICHIGAN COMMUNITY HOSPITAL	Mount Pleasant	500	Health Care
MOUNT PLEASANT REGIONAL CENTER	Mount Pleasant	400	Public Services

In addition, there are several large manufacturing employers in the assessment area, they are as follows:

Employer	City	# Employed	Product\Service
Delfield Company	Mount Pleasant	999	Refrigeration, Air Conditioning, Warm Air Heating
Hitachi Magnetics Corp.	Edmore	470	Metal Products
Mitchell Corp.	Clare	350	Carpets and Rugs
Central Michigan Newspapers	Mount Pleasant	249	Newspapers Publishing
CME Corp.	Mount Pleasant	170	Motors and Generators
Robinson Industries Inc.	Coleman	165	Plastic Film

According to the Michigan Employment Security Commission, unemployment rates for Isabella County and the State of Michigan were 4.7% and 5.5% as of January, 1997, respectively.

Discussions with community contacts revealed that economic conditions since the previous examination have been favorable. The new Soaring Eagle Casino complex owned by the Saginaw-Chippewa Indian Tribe has had a positive impact on the area economy through increased employment opportunities and related economic activity.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Management has developed adequate policies, procedures and training programs to support nondiscrimination in lending activities. The institution is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

LENDING TEST

Lending Volume

The bank's loan portfolio was reviewed to evaluate the bank's volume of lending, loan mix and how the bank's performance compares to its peer group and local competitors. The bank's average loan-to-deposit ratio (LTD) for the six quarters ended December 1996 was 75.05%. According to the December 31, 1995 and December 31, 1996 call reports, the bank and a sample of its local competitors' LTD ratios are as follows:

Institution	Total Assets as of December 31, 1996 (\$000)	LTD as of December 31, 1996 (%)	LTD as of December 31, 1995 (%)
Isabella Bank and Trust	298,575	76.24	72.34
Firstbank (Mt. Pleasant)	91,814	91.38	81.50
Chemical Bank Michigan (Clare and Mt. Pleasant Branch)	230,742	46.86	42.42
First of America Bank-Mid Michigan (Branch of Kalamazoo)	13,022,019	80.88	78.61

As the preceding chart illustrates, the bank's level of lending compares reasonably to its local competition, regardless of asset size. Further, the lending levels of Isabella Bank and Trust substantially exceeds the lending levels of Chemical Bank Michigan, which is similar in asset size.

According to the September 30, 1996 Uniform Bank Performance Report (UBPR), the bank's loan portfolio compared to peer is illustrated in the following chart:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	3.96	2.00
1-4 Family Residential	45.97	32.56
Home Equity	0	.74
Other Real Estate	22.76	21.51
Farmland	1.96	3.56
Multi-family	.98	.65
Commercial	19.81	14.87
TOTAL REAL ESTATE LOANS	72.70	59.35
LOANS TO INDIVIDUALS	14.55	16.17
CREDIT CARD LOANS	.89	.49
COMMERCIAL & INDUSTRIAL LOANS	9.23	14.20
AGRICULTURAL LOANS	1.77	3.75
MUNICIPAL LOANS	1.68	.55
OTHER LOANS	.07	.20
* Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

BANK NET LOAN/LEASE TO DEPOSIT RATIO	PEER NET LOAN/LEASE TO DEPOSIT RATIO
76.24	72.20

As the preceding charts illustrate, the bank's quarterly net LTD ratio exceeded peer by approximately 4 percentage points. A review of significant differences in loan distribution by product revealed that the bank's residential real estate lending was 22.5% higher than peer, commercial real estate lending was 33.2% higher; however, commercial and industrial lending was 35% lower than peer.

Lending in Assessment Area

The bank’s 1996 CRA data collection for commercial and agricultural loans, and a six-month sample of residential real estate loans were reviewed to determine the bank’s level of lending within its assessment area; it revealed the following:

LOAN TYPE	TOTAL LOANS # / \$(000's)	WITHIN THE ASSESSMENT AREA # / \$'s	PERCENT OF TOTAL # / \$'s
Small-Business Loans	565 / \$32,635	565 / \$32,635	100 / 100
Small-Farm Loans	113 / \$3,912	113 / \$3,912	100 / 100
	TOTAL SAMPLED # / \$(000's)	WITHIN THE ASSESSMENT AREA # / \$'s	PERCENT OF TOTAL # / \$'s
Residential Real Estate	135 / \$7,958,102	132 / \$7,837,914	97.78 / 98.50

As the preceding chart illustrates, all of the small-business and small-farm loans and approximately 98% of residential real estate loans were made within the assessment area. The bank’s responsiveness to credit needs in its assessment area is considered strong.

Lending Analysis Based Upon Size of Business and Borrower Income

The bank’s 1996 CRA data collection for commercial and agricultural loans, and a six month sample of residential real estate loans were reviewed to determine the bank’s distribution of loans among business, farm, and borrower income levels.

The review of the CRA data collection revealed that all of the 113 farm loans and 565 of 569 (99%) of business loans were made to small farms and small businesses with gross annual revenue under \$1 million.

The review of real estate loans revealed that one loan was made to a low-income borrower and 16 loans were made to moderate income borrowers for a combined total dollar amount of \$581,718 or 7.42% of the loan sample. A substantial majority of the real estate loan requests are for long-term, fixed rate loans, which are sold in the secondary market. Therefore, the bank uses the standard secondary market debt capacity guidelines to assess applicant creditworthiness. Considering the median income and median housing value levels of the assessment area, many low- and moderate-income individuals cannot qualify for real estate loans under those terms.

The following table illustrates the bank’s small business and small farm loan activity (loans of \$1 million or less) since the previous examination:

DISTRIBUTION OF BUSINESS LOANS BY LOAN AMOUNT								
	\$100,000 or less		Greater than \$100,000 to \$250,000		Greater than \$250,000 and less than \$1 million		Total	
	Number	Amount (\$000)	Number	Amount (\$000)	Number	Amount (\$000)	Number	Amount (\$000)
Small Business	488	13,429	55	8,979	22	10,227	565	32,635
	86.37%	41.15%	9.73%	27.51%	3.89%	31.34%	100%	100%
Small Farm	104	2,157	8	1,115	1	640	113	3,912
	92.04%	55.14%	7.08%	28.50%	.88%	16.36%	100%	100%

As illustrated in the preceding chart, a significant majority of the bank’s small business lending (86%) is for loans with origination amounts of less than \$100,000. The loan penetration to borrowers of different income levels is considered reasonable.

Geographic Distribution of Loans

The bank’s 1996 CRA data collection for small business and small farm loans and a six month sample of residential real estate loans were reviewed to determine the distribution of lending, and the number and amount of loans distributed throughout the various geographies within the bank’s assessment area. The 1996 CRA data collection review of small business and small farm loans revealed that no loans were originated within the moderate-income geographies.

The review of residential real estate loans revealed that 4 loans were originated within moderate-income geographies for a total of \$191,853 or 2.41% of the total dollar amount of residential real estate loans sampled.

Management indicated that many of the moderate income geographies were recently added to its assessment area due to significant installment loan activity generated in these geographies. Because the bank chose not to submit these loans for consideration under the lending performance category, they were not reviewed. See the Service Test portion of this Public Evaluation for a discussion of the proximity of bank services to these moderate income geographies. A comparison of the proximity of the moderate income geographies to the locations of the bank’s branches revealed that all areas do not have immediate access to a branch. The loan penetration to geographies of different income levels is considered reasonable.

Community Development Lending

The bank’s community development lending, including the number and amount of community development loans, was reviewed. Interviews with management and a review of the bank’s lending activity revealed that the bank has taken a leadership role in providing credit that serves to

both benefit low- and moderate-income individuals, and stabilize the economy of the assessment area.

Since the previous examination, the bank originated 50 community development loans totaling \$2.83 million. A sample of these loans is profiled in the following table:

Name of Organization	Commitment Amount	Purpose of Loan
Mt. Pleasant Industrial Development Corporation	\$600,000	To construct two speculative shell industrial buildings for resale.
Isabella County Drain Commission	\$300,000	To rebuild storm drains for the main line in Northeast Mt. Pleasant which experienced flooding in the past.
Joseph Simons	\$18,800	To rehabilitate multi-family property under the Mt. Pleasant Rental Rehabilitation Loan Program.
City of Mt. Pleasant	\$500,000	To construct multi-purpose community facility.
Isabella County Road Commission	\$208,000	To purchase an excavator in conjunction with a major downtown renovation project.
Indian Meadows, LTD	\$11,000	To do electrical installation for subdivision at Lake Isabella.
Kirt Moore and Jonny Seeley	\$5,000	To fund start-up of a water well drilling business.
Bigard & Huggard Drilling Inc.	\$700,000	To purchase two drilling rigs to resurrect an oil excavation business. When fully operational, the business will employ between 30 - 40 people.
Leisure Living Group, L.L.C.	\$50,000	To purchase adult care facility specializing in the treatment and extended care of Alzheimer patients from a management company that would have otherwise closed the facility due to lack of capital.

In addition to the loans shown above, the bank originated 29 loans for a total of \$666,542 through the Michigan Strategic Fund Program. This program is designed to promote small business lending, specifically, to businesses with higher risk and start up businesses. For a detailed account of the program, see the discussion under Innovative or Flexible Lending Practices.

Innovative or Flexible Lending Practices

A sample of innovative and/or flexible lending programs or practices in which the bank participated during the examination review period to meet the credit needs of low- and moderate-income individuals and geographies were reviewed. The following chart illustrates a sample of these practices and programs:

- ! The Michigan Strategic Fund program involves the pooling together of funds from the borrower, the bank, and the state to help reduce the risks of lending to start-up businesses. The state contributes twice the proceeds contributed by the bank and borrower. As more loans are originated through the program, the pool of funds increases, and can be used to offset any losses. Because of the reduced risk, the bank is able to provide a greater number of loans to start-up businesses.
- ! Loans are provided to individual sanitation districts within Isabella County for drain projects. Terms for these loans include a .5% discount where the repayment comes from the taxpayers of the individual districts.
- ! The Project 2000 loans for speculative commercial and industrial buildings were originated at .5% below the market rate. Furthermore, they were originated free of any points or fees.
- ! The loan to the City of Mt Pleasant for the construction of the Mount Pleasant Community Center was provided interest-free. The end-financing was written at the rate of the 3 Year U.S. Treasury Note, which is below the market loan interest rate.
- ! According to bank management, Isabella Bank and Trust has been a major participant in the assessment area's Habitat for Humanity Program. The bank continues to provide the financing for the rehabilitation of properties to the organization at an interest rate of 4.25%, approximately a 4% discount. The organization has a \$15,000 revolving line of credit with the bank.
- ! According to bank management, the bank offered a program during the second and third quarter of 1996 to finance business equipment at a discounted rate of 7.9% compared to the market rate of 9.5%. Management estimated that the bank generated \$3 million in loans through this program.
- ! The bank continues to offer housing loans on the Chippewa Indian Reservation through the Kinross Home Ownership Program. This is a unique program that allows members of the Chippewa Tribe to procure nontraditional mortgage loans due to the difficulty in placing liens on real estate located on Native American property. Under the program, the bank accepts a guarantee from the Tribe to further support the real estate loans. The program was previously recognized by

HUD for its unique approach toward helping meet housing credit needs of Native Americans. Since the previous examination, the bank has originated 5 loans totaling \$66,942.

- ! The Rural Assistance Program, administered by the State of Michigan provides loan guarantees for the purpose of acquiring a dwelling that will serve as the applicant's primary residence. The program's objective is to assist eligible households in obtaining adequate, decent, safe and sanitary dwellings, and related facilities for their own use in rural areas by guaranteeing sound rural housing loans, which otherwise would not be originated without a guarantee. The program targets low- and moderate-income borrowers by using a \$28,000 borrower annual income \$28,000 threshold for eligibility. In 1996, the bank made 26 loans through this program. As of December 1996, the bank's loan portfolio included \$2.72 million in guaranteed housing loans.

Conclusion

The bank's lending performance is highly satisfactory. Although the distribution of real estate lending to borrowers of different income levels and geographies showed little loan activity to low- or moderate-income individuals and geographies, lending to small businesses and small farms was a substantial percentage of the overall loan total. Further, the bank successfully utilized a number of government backed and internal loan programs to target low- and moderate-income borrowers. These flexible loan programs have been effective at helping the bank fulfill the credit needs of the low- and moderate-income population within the bank's assessment area.

INVESTMENT TEST

The bank's investment portfolio, donations and special programs that foster community development were reviewed. Qualified investments or grants were reviewed for innovativeness, responsiveness to credit and community development needs and the degree to which these investments are not routinely provided by private investors.

Qualified Investment Activity

The bank did not participate in any qualified investment activity as part of its CRA activities. Discussions with community representatives did not reveal any unmet investment opportunities in the assessment area. The bank has satisfactorily met the credit and community development needs of the community through the origination of community development loans.

Degree to Which Investments Are Not Provided by Private Investors

The bank provides a satisfactory level of investment in the form of grants, which support the ongoing operating expenses of nonprofit organizations in its assessment area. The following

nonprofit organizations promote economic development, provide community services, affordable housing and engage in activities that revitalize or stabilize low- and moderate-income areas. Some of the bank’s investment efforts since the previous examination include:

Name of Organization	Amount of Grant/Donation	Purpose/Type of Organization
Mt. Pleasant Community Foundation	\$10,000	Community Development
Middle Michigan Development Corp.	\$2,100	Community Development
Mt. Pleasant Area Chamber of Commerce	\$1,000	Business Development
Habitat for Humanity	\$550	Low-Income Housing

The contribution to the Mt. Pleasant Area Chamber of Commerce was used by the Center for Applied Research and Rural Studies of Central Michigan University to complete a comprehensive study to determine the economic, social and policy impacts of the expansion of the casino gaming initiative. The study has played an important part in keeping the local government and businesses aware of the impact the casino has on employment, housing, and demographics.

Conclusion

The bank’s investment performance is considered to be low satisfactory based on the level of investment activity, however; management has demonstrated their willingness to contribute to investment opportunities that supplement community lending activity. Each of the bank’s donation and grant investments demonstrate responsiveness to credit and community development needs.

SERVICE TEST

The bank’s system for delivering retail banking and community development services was reviewed for accessibility, innovativeness and responsiveness. In addition, the distribution of the bank’s branches, record of opening and closing branch offices and community development service activity were reviewed.

Retail Banking Services

According to the bank’s CRA Statement, it is the policy of Isabella Bank and Trust to meet the credit needs of the community it serves. Isabella Bank and Trust is a full-service bank with branches and ATMs located primarily in Isabella County, in addition to facilities in Mecosta and Clare Counties. The bank provides loans to consumers, organizations, businesses and government entities in accordance with uniform nondiscriminatory standards. In addition, the bank offers checking and interest bearing accounts to its local community.

Distribution of Branches and Alternative Banking Services

In addition to the bank's main office, located at 200 E. Broadway and its Customer Service Center located at 139 E. Broadway in Mount Pleasant, the bank operates 11 branches located both in Mount Pleasant and throughout the assessment area. The following chart details branch office and ATM locations, and income levels of geographies in which they are located:

Branch Locations & Hours of Operation				
Community	Address	County/BNA	Geography Income Level	Facility Type
Mt. Pleasant	Main Office 200 East Broadway	Isabella/9505	Middle-Income	Loan and Administration Office
	Customer Service Center 139 East Broadway	Isabella/9504	Middle-Income	Customer Service Branch of Main Office / ATM
	200 South University	Isabella/9505	Middle-Income	Branch
	1402 West High	Isabella/9512	Upper-Income	Branch / ATM
	2133 South Mission Street	Isabella/9511	Middle-Income	Branch
	1416 East Pickard	Isabella/9506	Upper-Income	Branch / ATM
	1620 South Mission	Isabella/9511	Middle-Income	ATM at Next Door Food Store
	209 E. Bellows	Isabella/9512	Upper-Income	ATM at Student Book Exchange
	2127 South Mission	Isabella/9511	Middle-Income	ATM
	710 East Preston	Isabella/9511	Middle-Income	ATM at The Store
	1221 South Drive	Isabella/9506	Upper-Income	ATM at Hospital
	4208 East Bluegrass	Isabella/9511	Middle-Income	ATM at Wal-Mart
	5665 East Pickard	Isabella/9503	Upper-Income	ATM at Holiday Inn
	914 West Pickard	Isabella/9503	Upper-Income	ATM at Citgo Store
	1015 East Pickard	Isabella/9506	Upper-Income	ATM at Meijer Service Station and
	1015 East Pickard	Isabella/9506	Upper-Income	ATM at Meijer
Shepherd	500 East Wright Avenue	Isabella/9510	Middle-Income	Branch / ATM
Weidman	3388 N. Woodruff	Isabella/9502	Middle-Income	Branch / ATM
Six Lakes	313 W. Bridge Street	Mecosta/9610	Middle-Income	Branch / ATM
Rosebush	3968 N. Mission Street	Isabella/9502	Middle-Income	ATM at Rosebush Party Store
Beal City	1876 N. Winn Road	Isabella/9502	Middle-Income	Branch / ATM

(Weidman)				
Clare	532 N. Mc Ewan	Clare/9806	Middle-Income	Branch / ATM
Clare	1125 N. McEwan	Clare/9806	Middle-Income	Drive-up / ATM
Blanchard	401 E. Main Street	Isabella/9508	Middle-Income	Branch / ATM

All facilities are open from 9:00 a.m. to 4:00 p.m. Monday through Thursday; until 6:00 p.m. on Friday and 9:00 a.m. to 12:00 p.m. on Saturday for teller transactions only. The main office and Clare drive-up locations are open until 6:00 p.m. Monday through Friday. The Weidman lobby is closed on Saturday. All ATMs are accessible 24 hours each day. Discussions with management revealed that a bank by phone program is currently being tested for deposit transactions, and should be implemented later this year.

Management indicated that many of the moderate income geographies were recently added to the assessment area due to large installment loan activity generated in these geographies. As noted under the geographic distribution of loans analysis; although there is no evidence that reflects illegal discrimination or arbitrary exclusion of low- or moderate-income geographies, there was little real estate or small business loan activity in the moderate income geographies. A review of the proximity of the moderate income census tracts and BNAs to the bank’s network of branches revealed that some residents in the assessment area have to travel large distances for banking services.

Record of Opening and Closing Offices

The bank’s record of opening and closing of branches was reviewed to determine the accessibility of products and services, particularly to low- and moderate-income geographies and low- and moderate-income individuals. Management indicated that heavy loan demand from central and northern Clare County contributed to the revision of the assessment area to include this portion of the county. Included in the segment of Clare County that is within the bank’s revised assessment area are six BNAs considered to be moderate-income. In an attempt to better serve this area, the bank opened a drive-up facility with ATM services in Clare since the previous examination. The drive-up facility provides for greater access to the bank’s services from this segment of the community. The bank has not closed any branch offices since the previous examination.

Community Development Services

The bank did not identify any examples of community development services as part of its overall community development efforts. Discussions with community contacts did not reveal any unmet community needs for development services. Discussions with management and a review of loan activity since the previous examination revealed that community development services are accomplished through government backed loan programs discussed previously under the lending test.

Conclusions

The bank's service performance is considered to be low satisfactory. The bank's efforts in delivering services on the outer perimeter of its assessment area, which include moderate- income geographies, were limited.