

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 **Charter Bank, Wyandotte, Michigan**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **April 27, 1998**. 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.

Our review of the bank's performance under CRA is the first since it converted to membership in the Federal Reserve System on September 11, 1997. The bank's overall satisfactory CRA rating is supported by a reasonable average loan-to-deposit ratio of 70.8% (based on the previous eight quarters) which is consistent with the lending levels of its local competitors. Banking services are accessible throughout the bank's assessment area. The bank provides an excellent level of community development services, and services available at the bank's offices do not inconvenience any portion of the assessment area. The bank's record of lending within its assessment area meets the standards for satisfactory performance, with 88.4% of the sampled real estate loans, one of the bank's dominant products, originating within the assessment area. The bank's record of lending to borrowers of different income levels and to businesses of different sizes also meets the standards for satisfactory performance. The bank promotes economic revitalization and growth consistent with its size, financial capacity, location, and current economic conditions. There were no CRA-related complaints received since the previous examination by the Office of the Comptroller of the Currency on May 8, 1995.

PERFORMANCE CONTEXT

DESCRIPTION OF INSTITUTION

Charter Bank, Wyandotte, Michigan, with total assets of \$233 million as of March 31, 1998, is a subsidiary of Charter National Bancorp, Inc., a one-bank holding company located in Taylor, Michigan. The bank is headquartered in Wyandotte, Michigan, and operates eight branch offices throughout the southern portion of Wayne County. Two offices are located in Wyandotte, four in Taylor, one in Grosse Isle, and one in Trenton. Deposit and loan services for both retail and commercial customers are offered. The bank promotes economic revitalization and growth, consistent with its size, financial capacity, product offerings, and current economic conditions. There are no factors limiting the bank's ability to meet the credit needs of its assessment area, and the bank does not face any legal constraints that would impede its CRA activities.

The bank's primary business focus is commercial lending, and its predominant loan products are commercial and residential real estate loans. According to the March 31, 1998 Consolidated Report of Condition, commercial loans totaled \$41.9 million and represented 28.1% of the bank's total loan portfolio. Real estate loans secured by nonfarm/nonresidential properties totaled \$33.1 million and represented 22.2% of total loans.

Charter Bank operates in a highly competitive banking environment. Primary competition is provided by branch offices of First of America Bank (Kalamazoo), NBD Bank (Detroit), Old Kent Bank and Trust Company (Grand Rapids), Comerica Bank (Detroit), and Standard Federal Bank (Troy). In addition, more than fifteen credit unions operating within the bank's assessment area provide competition for certain products and services.

DESCRIPTION OF ASSESSMENT AREA

The bank's main office is headquartered in Wyandotte, Michigan. The city of Wyandotte is located by the Detroit river opposite to the northern tip of Grosse Isle. The local industry is largely engaged in the production of chemicals. The major companies operating in Wyandotte are BASF Corporation and the Henry Ford-Wyandotte Hospital. Although much of the area is old, residences are well-maintained and new high-rise buildings have been built overlooking the river.

The bank's assessment area encompasses 86 census tracts in the **A**downriver@community located in the southern portion of Wayne County in the Detroit Metropolitan Statistical Area (**AMSA**@). Two of the census tracts are designated low-income, and 15 are designated moderate-income.

According to 1990 U.S. census data, the population of the bank's assessment area is 249,884. The adjusted median family income for the Detroit MSA and the State of Michigan are \$40,727 and \$36,652, respectively. The total number of families in the assessment area is 89,348, of which 16,424 or 18.4% are low-income, 189,496 or 16.8% are moderate-income, 251,065 or

22.2% are middle-income, and 441,021 or 39.1% are upper-income.

The 1990 U.S. census data indicates that the housing stock in the assessment area consists of 100,550 housing units, of which 63,076 or 62.7% are owner-occupied, and 28,293 or 28.1% are rental units. The median age and value of housing stock is 45 years and \$58,090, respectively, with a gross median monthly rent of \$454.

A labor market analysis of Wayne County and the State of Michigan for years 1996 and 1997 is as follows:

LABOR FORCE STATISTICS (WAYNE COUNTY)		
	1996	1997
Labor Force	945,525	957,925
Employment	894,300	912,850
Unemployment Rate	5.4%	4.7%

LABOR FORCE STATISTICS (STATE OF MICHIGAN)		
	1996	1997
Labor Force	4,909,000	4,986,000
Employment	4,670,000	4,776,000
Unemployment Rate	4.9%	4.2%

As the preceding charts indicate, the Wayne County unemployment rate decreased proportionately (0.7%) with the State of Michigan unemployment rate over the two-year period.

The bank's assessment area meets the requirement of the regulation in that it consists of one or more contiguous political subdivisions, contains all geographies where it has an office, and consists of only whole census tracts. In addition, the assessment area does not reflect illegal discrimination or arbitrarily exclude any low- or moderate-income areas.

PERFORMANCE CRITERIA

I. LOAN-TO-DEPOSIT RATIO

A review of the bank's March 31, 1998 Consolidated Report of Condition revealed a loan-to-deposit ratio of 73.6%. An analysis of the bank's Consolidated Report of Condition for the previous eight quarters disclosed an average loan-to-deposit ratio of 70.8%. This ratio is consistent with the bank's peer group loan-to-deposit ratio of 70.7% obtained from the March 31, 1998 Uniform Bank Performance Report. The following chart compares the loan-to-deposit ratios of the bank and its peer group over the last eight quarters, and indicates the bank's asset size at each of the corresponding periods:

Date	Charter Bank Ratio	Peer Group Ratio	Assets (000s)
3/31/98	73.6%	70.7%	\$223,611
12/31/97	72.4%	71.6%	\$222,261
9/30/97	70.9%	72.2%	\$224,602
6/30/97	70.6%	72.3%	\$228,081
3/31/97	71.5%	70.7%	\$218,144
12/31/96	65.6%	70.8%	\$224,805
9/30/96	67.2%	70.5%	\$218,802
6/30/96	62.3%	69.7%	\$218,500
Average	70.8%	71.0%	\$222,350

According to the data in the preceding chart, the bank's loan-to-deposit (LTD) ratio has consistently increased over the eight quarter period, with the exception of a slight decrease in the fourth quarter of 1996 and the second quarter of 1997. In addition, the bank's average LTD ratio compares favorably to the average peer group LTD ratio of 71.0%. A review of the bank's loan and deposit base during the previous eight quarters indicates that loans have significantly increased 20.2%, while deposits have increased a moderate 6.4%.

Considering the preceding analysis, comments received from community representatives, and the bank's competition, asset size, and capacity to lend within its assessment area, the bank's LTD ratio is considered reasonable and **meets** the standards for satisfactory performance under this criterion.

II. LENDING IN ASSESSMENT AREA

The analysis of the examination sample of 69 loans revealed the following distribution of loans in the assessment area:

Loan Type	# of Loans Originated	# of Loans Within Assessment Area	% of Total Loans within Assessment Area
Real Estate	11	9	81.8%
Installment	15	13	86.7%
Home Equity	8	8	100.0%
Single Payment	5	5	100.0%
Credit Card	10	4	40.0%
Commercial	20	12	60.0%
Total	69	51	73.9%

The preceding chart illustrates that a reasonable percentage of sampled loans (73.9%) were made within the bank's assessment area.

Management identified commercial and residential real estate loans as the two major bank products. A six month sample of these loans was reviewed to determine the bank's level of lending in its assessment area. The following table indicates the results of this review:

Loan Type	# of Loans Originated	# of Loans Within Assessment Area	% of Total loans within Assessment Area
Commercial	190	136	71.6%
Mortgage 1-4 Family	43	38	88.4%
Total	233	174	74.7%

As the preceding chart indicates, the bank originated 136 or 71.6% of commercial real estate loans within its assessment area. During the same period, the bank originated 38 or 88.4% of 1-4 family residential real estate loans within its assessment area. The examination loan analysis further supports the bank's self-analysis. Based on the preceding findings, the bank

meets the standards for satisfactory performance under this criterion.

III. LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

Lending to Borrowers of Different Income Levels:

A six month sample of one of the bank's dominant products (real estate loans) was reviewed to determine the level of lending by income level within the assessment area. The following chart illustrates the loan distribution to borrowers of different income levels during the sample period (September 1997 through February 1998):

LOAN TYPE	LOW-INCOME		MODERATE-INCOME		MIDDLE-INCOME		UPPER-INCOME	
	#	\$	#	\$	#	\$	#	\$
Real Estate	1	\$56,000	3	\$276,000	4	\$289,000	23	\$4,138,400

The preceding chart indicates that 74.2% (23 of 31) of loans sampled were made to upper-income borrowers within the bank's assessment area, with an average loan amount of \$179,930. The chart also indicates minimal real estate lending in low-income areas. This lower level of lending is reflective of the bank's assessment area which includes only two census tracts (out of a total of 86 census tracts) that are designated low-income.

Lending to Businesses of Different Sizes:

A six-month sample of commercial loans, the bank's dominant product, was reviewed to determine the level of lending to businesses of different sizes during the sample period (September 1997 through February 1998). The following chart illustrates the loan distribution:

Commercial Loans	# of loans	%	\$ Amount
\$100,000 or less	162	85.3%	\$4,748,995
\$100,000- \$250,000	23	12.1%	\$3,337,298
\$250,000-\$1,000,000	5	2.6%	\$2,597,021
Total	190	100.0%	\$10,683,314

As the preceding chart indicates, the majority of small business loans made during the review period (162 of 190) or 85.3% were in amounts of \$100,000 or less. Furthermore, our review revealed that 66.7% (62 of 93) of the loans originated during this period were to businesses with revenues of less than \$1 million.

Based on our findings, the bank's lending to borrowers of different income levels and to businesses of different sizes is considered satisfactory. Although only one loan in our sample was made to a low-income borrower, the bank's assessment area contains only two census tracts that are designated low-income. Based on our analysis and the demographics of the assessment area, the bank **meets** the standards for satisfactory performance under this criterion.

IV. GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of consumer real estate loans and loans to small businesses originated within the last six months was performed to evaluate the bank's performance under this criterion. The analysis revealed that 71.6% of small business loans and 88.4% of consumer real estate loans were originated in the bank's assessment area.

In addition, a six-month sample of real estate loans was used to determine the bank's geographic distribution of lending. The following chart illustrates the loan distribution during the sample period (September 1997 through February 1998):

LOAN TYPE	Low-Income Census Tracts		Moderate-Income Census Tracts		Middle-Income Census Tracts		Upper-Income Census Tracts	
	#	\$	#	\$	#	\$	#	\$
Real Estate	0	0	1	\$88,000	15	\$1,311,375	14	\$2,644,000

The preceding chart indicates that 45.4% (15 of 33) of loans sampled were made to middle-income census tracts, and 42.4% (14 of 33) were made to upper-income census tracts within the bank's assessment area. The chart also indicates minimal real estate lending in low- and moderate-income areas. This is primarily due to the composition of the bank's assessment area, where 80.2% (69 of 86) of the census tracts are designated as middle- or upper-income tracts.

Based on our analysis, the geographic distribution of loans in the assessment area is reasonable and **meets** the standards for satisfactory performance.

IV. RESPONSE TO COMPLAINTS

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

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Our analysis of the bank's performance under the criteria described above indicated that the bank is in compliance with CRA and the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Act.