



PUBLIC DISCLOSURE

March 24, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Independence National Bank of Detroit
Charter #15801

44 Michigan Avenue
Detroit, Michigan 48226

Comptroller of the Currency
Detroit Field Office
Omni Officentre, Suite 411
26877 Northwestern Highway
Southfield, Michigan 48034

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.

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 Citizens National Bank prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of March 24, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory record of meeting community credit needs".

- First Independence National Bank of Detroit (FINB) has addressed the need for small business lending in its market area. The bank has concentrated its commercial loan efforts on businesses with revenues less than \$1 million.
- FINB has demonstrated a satisfactory level of loan activity within its assessment area. A sample of various loans showed that over 63% of them were made in the bank's assessment area.
- First Independence National Bank has demonstrated a willingness to lend to borrowers of all income levels. Approximately 67% of the bank's HMDA loans were made to low and moderate income applicants, which is consistent with the low and moderate population in the assessment area.

DESCRIPTION OF INSTITUTION

First Independence National Bank of Detroit (FINB) is a minority-owned bank which operates primarily within the city of Detroit, Michigan and serves the Detroit community. FINB is a wholly owned subsidiary of First Independence Corporation, a one-bank holding company.

FINB is a full-service bank with three offices and seven full service Automatic Teller Machines (ATMs) located in Detroit. The bank's loan portfolio represents 48% of total assets. The portfolio consists primarily of real estate loans (72%), commercial loans (24%), and loans to consumers (4%). The bank's primary lending focus has been on serving commercial customers. However, FINB also addresses the credit needs of the community through residential real estate, home equity, credit card and home improvement loans for consumers.

As of December 31, 1997, total assets of the bank were \$94 million. During the rating period, FINB's earnings performance was weak, which limited its capacity to address lending needs of the community. However, there are no legal impediments on the bank at this time which would impact its ability to serve the community. The February 1996 Community Reinvestment Act examination rated the bank "Satisfactory".

DESCRIPTION OF ASSESSMENT AREA

While the Detroit area economy remains largely dependent on the automotive industry, it has enjoyed over two years of stability. General Motors, Ford and Chrysler remain major employers along with the Detroit School system, various government agencies, and health care industries. Unemployment for the city of Detroit was 7.9% in 1997, which is higher than the state average of 4.2%.

FINB is the only community bank located solely within the city of Detroit, which is a highly competitive market. Several large regional banks, savings and loan institutions and credit unions all operate within the bank's market and assessment area. The market area contains 24 financial institutions and a total of 395 branches. Based on 1996 HMDA data, FINB held less than 1% market share of the total loans originated in the city of Detroit.

The bank's assessment area includes the cities of Detroit, Hamtramck and Highland Park. All three cities contain 335 census tracts and are part of the Detroit MSA (#2160). This area represents a large geographic area relative to an institution with 3 offices and less than \$100 million in total assets. The 1997 updated HUD of Metropolitan Statistical Area (MSA) median family income is \$53,300. Based on community contacts the primary credit needs of this area are affordable housing and small business loans. The following table highlights demographic information for the bank's assessment area:

Table 1 Demographic Information for FINB's Assessment Area						
City	Detroit		Hamtramck		Highland Park	
Census Tract Characteristics	Count	%	Count	%	Count	%
Low (below 50% of median)	172	54%	5	71%	6	75%
Moderate (50-80% of median)	90	28%	2	29%	2	25%
Middle (80-120% of median)	45	14%	0	0%	0	0%
Upper (over 120% of median)	13	4%	0	0%	0	0%
Totals	320	100%	7	100%	8	100%
Population data (# of households)	Count	%	Count	%	Count	%
Low (below 50% of median)	176,995	47%	5,098	64%	4,052	51%
Moderate (50-80% of median)	59,808	16%	1,014	13%	1,503	19%
Middle (80-120% of median)	60,249	16%	942	12%	1,172	15%
Upper (over 120% of median)	76,805	21%	896	11%	1,211	15%
Totals	373,857	100%	7,950	100%	7,938	100%
Housing Information	Count	%	Count	%	Count	%
Owner Occupied Units	197,977	48%	4,134	48%	2,698	30%
Rental Units	176,080	43%	3,774	43%	5,335	58%
Vacant Units	35,970	9%	793	9%	1,129	12%
Totals	410,027	100%	8,701	100%	9,162	100%

Data source: 1990 U.S. Census data

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

This evaluation covers activity from March 1996 to February 1998. Overall, FINB addresses the community credit needs in a manner consistent with its size, resources, and capabilities.

Loan to deposit ratio

- **The bank's loan to deposit ratio is adequate and demonstrates its willingness to lend.**

The bank's average loan to deposit ratio for the past 8 quarters is 51.7%. While this is relatively low compared to peer levels, it is considered reasonable as the ratio does not reflect all the ways the bank addresses the credit needs of the community. First, the bank continues to show almost \$7 - 9 million in federal deposits which are unavailable for lending purposes. The federal deposits require the bank to hold corresponding securities as collateral. Excluding these balances from the loan to deposit calculation shows FINB with a quarterly average loan to deposit ratio of 57.3 % over the past two years. Second, the bank processes loan referrals for sale in the secondary market. These applications are handled by bank personnel, however the credit decision and final funding are supplied by secondary market investors. Since 1992, the bank has taken mortgage applications for loans to be sold in this manner. During 1996 & 1997, this process resulted in over 350 referrals totaling more than \$14 million in real estate loans for the community. This activity is not reflected in the bank's loan to deposit ratio. A judgmental sample showed that 70% of these loans are within the bank's assessment area. Third, the number of branches of financial institutions operating in the market makes it very competitive.

Lending in assessment area

- **A majority of FINB's lending is within its assessment area. FINB has addressed lending needs throughout the community.**

Table 2 shows the bank has originated a satisfactory portion of its loans within its assessment area. This sample of 81 loans shows that over 63% of these loans were located within the bank's assessment area. The bank's commercial loan portfolio includes loans for multi family housing units. According to bank records, 81% of these properties are within the bank's assessment area. Also, a sample of 50 loan referrals sold in the secondary market showed that 50% of these loans are within the assessment area.

Table 2 Lending inside and outside of Assessment Area					
Loan Product	# Loans in Sample	Loans in Assessment area		Loans outside Assessment area	
		#	%	#	%
Real Estate (HMDA reported)	38	23	61	15	39
Home Equity	18	11	61	7	39
Commercial	25	17	68	8	32
Total	81	51	63	30	37

Data Source: Bank loan files and new loan reports

Geographic distribution of loans

- **FINB's distribution of loans is adequate. Lending in low and moderate income areas has been reasonable.**

Overall, loan activity is concentrated around existing branch locations. OCC geographic analysis of 1996 and 1997 data shows a reasonable distribution of loans throughout FINB's assessment area. Analysis of HMDA reports showed 45% of loans were made in low and moderate income areas. Because census tract information was not available, the evaluation of small business lending was limited to zip code analysis. Our analysis showed an adequate dispersion of loans throughout the bank's assessment area.

Lending to borrowers of different incomes and to businesses of different sizes

- **FINB has shown an adequate level of extending credit to borrowers of all income levels.**

FINB is active in the small business lending area and lends to businesses of all sizes. During 1996 and 1997, FINB approved 105 new commercial loans for \$17 million. These loans were primarily to businesses with revenues less than \$1 million. Bank records show that 56% of the bank's new commercial loans were less than \$100,000. An additional 17% of their loans were between \$100,000 and \$250,000. Table 3 shows FINB's commercial loan activity during 1996 and 1997. Based on a sample of 24 commercial loans, 83% of these businesses had revenues less than \$1 million. A large portion of these loans are for commercial real estate. Historically, this has been a major component of the bank's lending activities.

TABLE #3

	Number of New Commercial loans by loan size				
YEAR	# of loans	Under \$100,000	\$100,000 - 250,000	\$250,000 - 500,000	\$500,000 - 1,000,000
1997	55	28	16	8	3
1996	50	31	11	4	4

Source of data: bank's internal records

Based on our review of mortgage related lending, the bank approves loan applications for individuals at all levels of income to a reasonable degree. The bank's HMDA reports for 1996 and 1997 showed 135 loans were approved in their assessment area. Analysis of this report showed that 67% of these loans were to individuals with low or moderate income levels. This compares to 64.5% of the assessment area that are low and moderate income families.

FINB participates in a church sponsored loan program with the Messiah Baptist Church. This program is designed to help individuals rehabilitate their credit record. During the past two years, the bank has approved numerous loans under this program for an approximate total of \$35,000.

FINB is actively involved with various loan products through its association with Michigan State Housing Development Authority (MSHDA). This program is designed to assist low and moderate income families purchase and/ or rehabilitate single family homes. Key components of this program are lower than market interest rates and down payment assistance. Additionally, local contractors who complete the bank's Contractors Assistance Program (CAP) are used for properties that qualify under various MSHDA programs. CAP provides financial training for small businesses (contractors) ie. developing business plans, bidding process, accounting, and legal issues. The bank also offers technical assistance through its affiliate, Independence Non-Profit Development Corporation (INDC).

Fair Lending

- We did not identify any violations of the anti-discrimination laws and regulations during our examination. In addition, the bank received no complaints regarding its fair lending activities.