



## **PUBLIC DISCLOSURE**

May 10, 2021

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of America  
Charter Number: 14740  
241 East Saginaw  
East Lansing, MI 48842

Office of the Comptroller of the Currency  
Northern Ohio Field Office  
200 Public Square Suite 1610  
Cleveland, OH 44144-2301

NOTE: This document is an evaluation of this 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. This evaluation is not, and should not 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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## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated Satisfactory.

The following table indicates the performance level of **First National Bank of America** (FNBA or bank) with respect to the Lending, Investment, and Service Tests:

Performance Levels	Farmers National Bank of Canfield Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	
Low Satisfactory	X		X
Needs to Improve			
Substantial Noncompliance			

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- The Lending Test rating is based on an adequate level of overall lending in the state of Michigan. The rating is based on a very small percentage of lending inside assessment areas (AAs), an adequate level of lending activity, good geographic distribution of home mortgage and small loans to businesses, adequate distribution of home mortgage loans among borrowers of different incomes, good distribution of small business loans among business of different sizes, and a relatively high level of community development (CD) loans.
- The Investment Test rating is based on an overall adequate significant level of CD investments in the state of Michigan.
- The Service Test rating is based on the bank’s retail services being reasonably accessible to geographies and individuals of different income levels and an adequate level of CD services in the state of Michigan.

### Lending in Assessment Area

A very small percentage of FNBA’s loans are within its AAs.

During the evaluation period, FNBA originated and purchased 1.5 percent by number and 1.8 percent by dollar of its total loans inside the bank’s AAs. This analysis is performed at the bank level rather than the AA level. The low percentages are due to the bank’s nationwide home mortgage lending model. The bank’s business model and strategic focus is reliant upon originating residential mortgages nationwide and purchasing loans across the country through loan broker relationships. Additionally, 28.8 percent of the bank’s deposits are brokered, and not obtained from depositors within its AAs.

Lending Inside and Outside of the Assessment Area 2017-2020										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	43	2.1	2,053	97.9	2,096	11,100	2.8	392,268	97.2	403,368
2018	38	1.6	2,377	98.4	2,415	8,091	1.8	452,141	98.2	460,232
2019	46	1.2	3,886	98.8	3,932	8,280	1.1	768,623	98.9	776,902
2020	47	0.5	10,908	99.5	10,955	11,855	0.8	1,476,365	99.2	1,488,220
<b>Subtotal</b>	<b>174</b>	<b>1.0</b>	<b>19,224</b>	<b>99.0</b>	<b>19,398</b>	<b>39,326</b>	<b>1.3</b>	<b>3,089,396</b>	<b>98.7</b>	<b>3,128,722</b>
Small Business										
2017	24	68.6	11	31.4	35	3,524	61.0	2,249	39.0	5,773
2018	17	66.7	8	33.3	24	3,417	67.8	1,622	32.2	5,039
2019	24	77.4	7	22.6	31	4,546	82.8	944	17.2	5,490
2020	58	84.1	11	15.9	69	6,542	89.2	788	10.8	7,330
<b>Subtotal</b>	<b>123</b>	<b>76.7</b>	<b>37</b>	<b>23.3</b>	<b>159</b>	<b>18,029</b>	<b>76.3</b>	<b>5,603</b>	<b>23.7</b>	<b>23,632</b>
<b>Total</b>	<b>297</b>	<b>1.5</b>	<b>19,261</b>	<b>98.5</b>	<b>19,557</b>	<b>57,355</b>	<b>1.8</b>	<b>3,094,999</b>	<b>98.2</b>	<b>3,152,354</b>
<i>Source: Bank data. Evaluation Period: 1/1/2017 - 12/31/2020. Due to rounding, totals may not equal 100.0%</i>										

## Description of Institution

FNBA is a full-service intrastate bank headquartered in East Lansing, Michigan. It is a wholly owned subsidiary of First National Bancshares, Inc., also headquartered in East Lansing, Michigan. The bank's subsidiaries include First National Acceptance Company, which services all loans of the bank and holds the bank owned portfolio of land contracts, Rose Acceptance Inc. which owns real estate acquired in satisfaction of borrowers' debt acquired through or in lieu of foreclosure, First National Building, LC which owns the office building occupied by First National Bancshares, its subsidiaries and affiliates, and First National Development Company (FNDC) which was created to contribute to the revitalization of Lansing by rehabilitating single family homes. FNDC performed no community development activities during our evaluation period, and the bank's other subsidiaries do not materially impact its community reinvestment capacity.

According to the Report of Condition and Income, FNBA's assets totaled \$2.96 billion as of December 31, 2020. As of year-end 2019 and 2018, respectively, the bank's assets totaled \$2.49 billion and \$1.80 billion. FNBA's principal lines of business is the origination and purchase of residential home mortgage loans. Secondly, the bank originates small loans to businesses. During 2020, the bank offered Paycheck Protection Program (PPP) loans through the Small Business Association (SBA). FNBA does not offer government backed loans like Federal Housing Administration (FHA), Veteran's Administration (VA), and Rural Housing Services (USDA) loans.

FNBA's loan portfolio grew 167.4 percent during the evaluation period. As of December 31, 2020, the bank's loan portfolio totaled \$2.7 billion, 99.6 percent of which was secured by real estate. The loan portfolio is comprised of 92.5 percent residential mortgages, 2.7 percent nonfarm nonresidential

properties, 1.5 percent construction loans, 1.3 percent home equity lines of credit (HELOC), 1.3 percent multi-family loans, and less than 1.0 percent of other loan types.

FNBA's consumer deposit related products and services include checking, savings, health savings accounts, certificates of deposit, individual retirement accounts, online and mobile banking, automated teller machine (ATM) services, and safe deposit boxes. Business related products and services include checking, savings, business money market accounts, lockbox services, remote deposit capture, online banking, and night depository.

During the evaluation period, FNBA had three AAs in Michigan, which are contiguous. The bank's primary AA is identified as the Lansing, Michigan AA which includes the counties of Ingham, Eaton, Clinton, and Shiawassee counties and is part of the Lansing-East Lansing Metropolitan Statistical Area (MSA). The Office of Management and Budget (OMB) instituted changes to some MSA delineations that took effect January 1, 2019, which impacted the bank's Lansing AA. The change resulted in Shiawassee county being included in the MSA, and the bank decided to add this county to the AA beginning in 2019. FNBA's secondary AA is Kent and includes all of Kent county and is part of the Grand Rapids-Wyoming MSA. The Traverse City AA is comprised of Grand Traverse county and is not part of an MSA.

There are no legal, financial, or other factors impeding FNBA's ability to help meet the credit needs of the AAs. The bank received a "Satisfactory" rating on their previous CRA performance evaluation dated May 29, 2018.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

This performance evaluation assesses FNBA's record of meeting the credit needs of its AAs. We performed a full-scope review using Large Bank CRA examination procedures, which include a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of the bank's AAs through the bank's home mortgage and small business lending activities. The CD test evaluates the bank's responsiveness to CD needs in the AA, through qualified lending, investments and donations, and services. The evaluation period for lending and CD activity covers January 1, 2017, through December 31, 2020.

We evaluated FNBA's lending performance based on its primary loan products, which include home mortgage loans and small loans to businesses. While the bank offers multifamily, home equity, farm, and consumer loans, these products are not a primary focus for the bank. As a result, we did not consider these as part of our evaluation, as an analysis of this data would not be meaningful. However, we did consider any multi-family loans that qualify as CD loans, as part of our CD lending assessment.

### **Selection of Areas for Full-Scope Review**

We selected FNBA's Lansing and Kent AAs for full-scope reviews as these areas have a majority of the bank's deposits and loan activity. Refer to the "Scope" section under each State Rating section for details regarding how full-scope AAs were selected. Refer to Appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

## **Ratings**

FNBA's overall rating is based on its lending and CD performance within the state of Michigan. The state rating is based on performance in the bank's AAs that received full-scope reviews. We gave more consideration to the bank's performance within the Lansing AA when determining the overall state rating as this represented the bank's largest market with the most predominant deposit concentrations and lending activity. The bank is also headquartered in Lansing, Michigan. Refer to the "Scope" paragraph within the "State" section of this document for details regarding how the areas were weighted in arriving at the respective ratings. We based our conclusions for the lending test on loan products weighted according to their relative volume. As a result, more weight was given to home mortgage activity than small loans to businesses.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. §25.28(c) or §195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution (or any affiliate whose loans have been considered as part of the institution's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Michigan

**CRA rating for the State of Michigan:** Satisfactory

<b>The Lending Test is rated:</b>	Low Satisfactory
<b>The Investment Test is rated:</b>	High Satisfactory
<b>The Service Test is rated:</b>	Low Satisfactory

The major factors that support this rating include:

- Lending activity reflects adequate responsiveness to meeting the credit needs of the bank's AAs.
- The bank's geographic distribution of home mortgage loans and small loans to businesses in the Lansing AA is good.
- The bank distribution of home mortgage loans among individuals of different income levels is adequate and the distribution of small loans to businesses of different sizes in the Lansing AA is good.
- The bank's CD investments represent a good responsiveness to AA needs.
- The bank's CD services represent an adequate responsiveness to AA needs.
- The bank's products and service delivery systems are reasonably accessible to geographies and individuals of different income levels in its AAs.

### Description of Institution's Operations in Michigan

During the evaluation period, FNBA operated one branch office in each of its three AAs. The bank did not open or close any branches during the evaluation period, but did remove the ATM from the Kent AA office as the machine had reached the end of its useful life and usage of that ATM was very limited.

All branch offices are open the same hours and days and offer the same products and services. The main office, located in the Lansing AA, is the only one which offers ATM services. However, FNBA is a member of the Allpoint ATM network, which provides bank customers surcharge free access to over 55,000 ATMs across the country. Drive-through services are available only at the Kent AA branch location.

FNBA originates residential loans both within its AAs and around the country in the form of non-Qualified Mortgages and other non-traditional lending. This is done through retail, wholesale, and correspondent channels. The bank experienced difficulty in finding loans to purchase within its own AAs during the evaluation period due to pricing and competition from larger institutions.

**Lansing AA**

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Lansing AA 2017-2018</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	131	9.2	18.3	41.2	24.4	6.9
Population by Geography	468,737	7.1	18.0	41.6	29.3	4.1
Housing Units by Geography	199,711	8.2	19.8	42.4	28.8	0.7
Owner-Occupied Units by Geography	118,016	3.7	15.4	47.8	32.9	0.1
Occupied Rental Units by Geography	64,891	14.4	26.1	33.6	24.2	1.8
Vacant Units by Geography	16,804	16.3	26.6	37.9	18.3	0.9
Businesses by Geography	24,409	8.8	18.9	38.0	31.4	2.9
Farms by Geography	1,269	2.4	7.3	63.8	25.7	0.7
Family Distribution by Income Level	109,372	21.4	17.7	20.4	40.5	0.0
Household Distribution by Income Level	182,907	24.7	15.8	17.8	41.7	0.0
Median Family Income MSA - 29620 Lansing-East Lansing, MI MSA		\$66,143	Median Housing Value			\$126,187
			Median Gross Rent			\$790
			Families Below Poverty Level			10.9%

*Source: 2015 ACS and 2018 D&B data. Due to rounding, totals may not equal 100.0%. (\*) The NA category consists of geographies that have not been assigned an income classification.*

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Lansing AA 2019-20</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	148	6.8	20.9	43.2	23.0	6.1
Population by Geography	537,850	5.4	19.4	44.5	27.1	3.6
Housing Units by Geography	229,840	6.4	21.0	45.4	26.5	0.6
Owner-Occupied Units by Geography	138,873	2.5	16.5	50.8	30.1	0.1
Occupied Rental Units by Geography	71,443	12.3	28.3	35.5	22.3	1.6
Vacant Units by Geography	19,524	12.9	26.5	43.3	16.5	0.8
Businesses by Geography	33,233	6.6	19.7	40.0	31.1	2.6
Farms by Geography	1,677	1.8	7.9	62.3	27.3	0.7
Family Distribution by Income Level	128,571	21.0	17.3	20.7	41.0	0.0
Household Distribution by Income Level	210,316	24.1	15.8	18.0	42.2	0.0
Median Family Income MSA - 29620 Lansing-East Lansing, MI MSA		\$63,978	Median Housing Value			\$123,567
			Median Gross Rent			\$780
			Families Below Poverty Level			10.9%

*Source: 2015 ACS and 2020 D&B data. Due to rounding, totals may not equal 100.0%. (\*) The NA category consists of geographies that have not been assigned an income classification.*

The Lansing AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income census tracts (CTs). Lansing is FNBA's primary AA and is comprised of Ingham, Eaton, Clinton, and Shiawassee counties. Lansing is the primary city within the AA and is also the state capitol. As discussed in the Description of Institution above, the OMB MSA delineation changes affected the Lansing AA. Based on 2015 ACS data, in 2018 the AA contained 131 CTs and included 12 low-income CTs, 24 moderate-income CTs, 54 middle-income CTs and 32 upper-income CTs, with nine CTs having no income designation. Beginning in 2019, the AA consists of 148 CTs and includes ten low-income CTs, 31 moderate-income tracts, 64 middle-income tracts, 34 upper-income tracts, and nine CTs having no income designation.

The AA is highly competitive, with a mixture of community banks and large banks serving the area. Per the June 30, 2020, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, 22 institutions operate in the AA, maintaining 115 offices. This does not include credit unions or other financial services providers. FNBA ranked first in terms of deposit market share, with 15.0 percent, or \$1.3 billion of insured deposits, with a significant portion being brokered deposits. The largest competitors for deposits include Fifth Third Bank, Huntington National Bank, JP Morgan Chase Bank, PNC Bank and Bank of America, which hold a combined 50.6 percent of the deposit market.

Significant competition for loans exists in the AA. Based on 2019 aggregate mortgage loan data, FNBA ranked 73rd out of 421 lenders originating home mortgage loans within the AA, with a 0.17 percent market share. The top five business lenders are large banks, which account for 59.4 percent of the business lending in the AA. According to 2019 aggregate small business data, FNBA ranked 32nd out of 84 lenders originating business loans in the AA, with a 0.25 percent market share.

A majority of non-farm businesses in the AA are small as measured by the number of employees and gross revenues. According to 2020 Dun & Bradstreet (D&B) data, 81.2 percent of businesses located in the AA have less than \$1 million in gross annual revenues and 64.6 percent of businesses have fewer than five employees. Only 2.5 percent of businesses are headquartered in the AA, while 85.7 percent operate from a single location. Major employers include Michigan State University, Liberty National Life Insurance, Sparrow Health System, General Motors, and Auto Owners Insurance.

Economic conditions in the AA prior to the COVID-19 pandemic generally fared better than the state of Michigan. The unemployment level at the beginning of 2017 for the AA was 4.5 percent, decreasing to 2.5 percent as of year-end 2019. In comparison, the Michigan unemployment rate ranged from 5.5 percent in the beginning of 2017 to 3.4 percent in at the end of 2019. At its peak in April 2020, the AA's unemployment rate was 18.9 percent, but was only over ten percent for two months during the year. At the end of 2020, the AA's unemployment rate of 5.9 percent was significantly better than the Michigan rate of 8.3 percent. The AA benefited from the economic stability afforded by the presence of state government, a major university, and several law and medical schools.

We conducted two community contacts, both national non-profit organizations specializing in affordable housing programs in Clinton, Ingham, and Eaton Counties. Programs include no-interest mortgages to low-income borrowers, home repairs, homeless placement, and financial literacy, including foreclosure prevention counseling. There is a high level of competition in the AA from larger banks, such as Flagstar Bank and Bank of America, to participate, lend, or invest in CD activities. The contacts indicated the greatest need in the community is lending opportunities to help fund these programs and allow for further construction of affordable homes. Additional needs include bank sponsorship for Federal Home Loan Bank (FHLB) grants, general operating funds, transitional housing assistance, and funding for financial education coaches.

**Kent AA**

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Kent AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	128	8.6	24.2	42.2	25.0	0.0
Population by Geography	622,590	6.2	22.1	41.9	29.8	0.0
Housing Units by Geography	248,224	5.4	23.6	43.2	27.7	0.0
Owner-Occupied Units by Geography	160,040	2.8	16.5	45.9	34.8	0.0
Occupied Rental Units by Geography	72,921	9.4	38.1	39.0	13.5	0.0
Vacant Units by Geography	15,263	13.4	29.6	35.2	21.8	0.0
Businesses by Geography	39,782	4.4	18.8	37.8	39.0	0.0
Farms by Geography	1,119	1.4	11.3	46.4	40.8	0.0
Family Distribution by Income Level	154,417	20.9	17.4	21.7	40.1	0.0
Household Distribution by Income Level	232,961	23.7	17.2	18.2	40.9	0.0
Median Family Income MSA - 24340 Grand Rapids-Kentwood, MI MSA		\$64,496	Median Housing Value			\$143,339
			Median Gross Rent			\$788
			Families Below Poverty Level			10.4%
<i>Source: 2015 ACS and 2019 D&amp;B data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Kent AA meets the requirements of the CRA and does not arbitrarily exclude any low- or moderate-income CTs. The AA is comprised of all of Kent County. Grand Rapids is the primary city within the AA. Based on 2015 ACS data, the AA consists of 128 CTs and includes 11 low-income CTs, 31 moderate-income CTs, 54 middle-income CTs, and 32 upper-income CTs.

Competition for deposits in the AA is considerable, with a mixture of community banks and large banks serving the area. Per the June 30, 2020, FDIC Deposit Market Share Report, 25 institutions operate 178 offices in the AA, which does not include credit unions or other financial services providers. FNBA ranked 17th in terms of deposit market share, with 0.93 percent, or \$190.6 million of insured deposits. The largest competitors for deposits include Fifth Third Bank, Huntington National Bank, JP Morgan Chase Bank, Northpointe Bank and Mercantile Bank of Michigan, which hold a combined 61.5 percent of the deposit market.

Significant competition for loans exists in the AA. Based on 2019 aggregate mortgage loan data, FNBA ranked 132nd out of 437 lenders originating home mortgage loans within the AA, with a 0.06 percent market share. The top five business lenders are large banks, which account for 54.8 percent of the business lending in the AA. According to 2019 aggregate small business data, FNBA ranked 72nd out of 94 lenders originating business loans in the AA, with a 0.02 percent market share.

A majority of non-farm businesses in the AA are small as measured by the number of employees and gross revenues. According to 2020 D&B data, 80.2 percent of businesses located in the AA have less than \$1 million in gross annual revenues and 62.9 percent of businesses have fewer than five employees.

Only 2.9 percent of businesses are headquartered in the AA, while 86.3 percent operate from a single location. Major employers include County and local government, Spectrum Health, Meijer Inc., Mercy Health Systems and Gentex Corporation.

The economic conditions in the AA fared significantly better than the state of Michigan during the evaluation period due to growing biotech and healthcare centers and a diverse manufacturing base. Unemployment levels in the beginning of 2017 for the AA was 3.8 percent, decreasing to 2.2 percent as of year-end 2019. In comparison, the Michigan unemployment rate ranged from 5.5 percent in the beginning of 2017 to 3.4 percent at the end of 2019. While the effects of the COVID-19 pandemic are felt statewide, the AA's unemployment rate continued to be lower than the state level. During 2020 the highest unemployment rate in the AA was 20.8 percent, but recorded only three months over ten percent. At the end of 2020, the AA's unemployment of 5.9 percent is considerably better than the state of Michigan unemployment rate of 8.3 percent.

We conducted one community contact, a national non-profit which builds, rehabs and repairs homes for very low-income families, to determine the credit and CD needs in the AA. Significant competition exists in the AA from larger banks, such as Bank of America and Flagstar Bank, to participate, lend, or invest in CD activities. Based on community contact information, there are various opportunities to make CD investments and conduct CD services within the AA. The contact indicated the highest needs include sponsorship of their annual fundraiser and general operating support. Other needs include grants to build homes and volunteers for home building projects.

## **Scope of Evaluation in Michigan**

We selected FNBA's Lansing and Kent AAs for full-scope reviews as these AAs have a majority of the bank's deposits and loans. Refer to *Appendix A* for additional information regarding areas receiving full-scope reviews.

We evaluated FNBA's performance in the state of Michigan by analyzing the bank's lending performance and its CD lending, investment, and service performance from January 1, 2017, through December 31, 2020. We gave more consideration to the bank's performance within the Lansing AA based upon total loan originations and total deposits serviced, when determining the overall state rating. Additionally, Lansing is the bank's primary AA and where the bank is headquartered. We completed a limited-scope review of the Traverse City AA, as this represents the bank's smallest market based upon the limited number of loan originations, which did not allow for a quantitative analysis of lending activity.

The procedures used to assess FNBA's lending performance focused on the bank's primary lending products. Based on the bank's strategic plan, reports of lending activities over the evaluation period, Reports of Condition and Income, and discussions with senior management, we determined the bank's primary areas of lending focus are home mortgage and business loans. Aggregate home mortgage and small business data for 2020 was not available during this performance evaluation. Therefore, we compared the bank's lending performance from 2017 through 2019 demographic and aggregate data. We evaluated FNBA's lending performance in the Lansing AA for 2017 and 2018 separately from 2019 and 2020 due to the OMB's MSA delineation changes that affected the AA. The CD test evaluated the bank's responsiveness to the community development needs and opportunities in the AAs through CD loans, investments, and services.

We also utilized other supporting information while evaluating FNBA's CRA performance. Additional supporting information included 2015 ACS data, 2017 through 2020 bank loan data, internal bank records, FDIC deposit market share data, and information from governmental websites regarding the characteristics and economy of the bank's AAs. We also considered information from community contacts to help assess the needs of the bank's AAs and the opportunities for financial institutions to lend and provide services within those areas.

## CONCLUSION WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN

### LENDING TEST

The bank's performance under the Lending Test in Michigan is Low Satisfactory.

### Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's lending performance in their AAs is adequate.

### Lending Activity

Lending levels reflect adequate responsiveness to AA credit needs.

Number of Loans*							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	% State Loans	% State Deposits
<b>Full-Scope</b>							
Lansing	111	91	1	14	217	69.3	77.1
Kent	57	13	0	1	71	22.7	11.0
<b>Limited-Scope</b>							
Traverse City	6	19	0	0	25	8.0	11.9
<b>TOTAL</b>	<b>174</b>	<b>123</b>	<b>1</b>	<b>15</b>	<b>313</b>	<b>100.0</b>	<b>100.0</b>

\*The tables present the data for all assessment areas. The narrative below addresses performance in full-scope areas only.

Dollar Volume of Loans (000) *							
Assessment Area	Home Mortgage	Small Business	Small Farm	Community Development	Total	% State*	% State Deposits
<b>Full-Scope</b>							
Lansing	\$30,942	\$15,406	\$195	\$14,941	\$61,484	83.7	53.9
Kent	\$7,508	\$1,299	\$0	\$1,000	\$9,807	13.3	25.1
<b>Limited-Scope</b>							
Traverse City	\$876	\$1,324	\$0	0	\$2,200	3.0	2.3
<b>TOTAL</b>	<b>\$39,326</b>	<b>\$18,029</b>	<b>\$195</b>	<b>\$15,941</b>	<b>\$73,491</b>	<b>100.0</b>	<b>100.0</b>

\*The tables present the data for all assessment areas. Deposit data within table is based on the FDIC's Deposit Market Share Report as of June 30, 2020. The narrative below addresses performance in full-scope areas only.

Refer to lending volume tables above for the facts and data used to evaluate FNBA's lending activity.

In drawing our overall conclusion as well as our conclusions for each AA, we considered FNBA's limited physical presence, its business strategy focus, and the fact that there are considerably more lenders originating or purchasing loans in these AAs than there are depository institutions with branch offices. Lenders include local and non-local depository institutions, as well as non-bank financial

institutions. Since FNBA's business strategy is to focus on buying package loans and addressing the lending needs of non-conforming borrowers throughout the country, the bank's lending activity within its local market areas is considered adequate.

### **Lansing AA**

Lending levels in the Lansing AA reflects adequate responsiveness to AA credit needs. FNBA's overall lending volume in the Lansing AA was lower than its relative position in the local deposit market. During the evaluation period, FNBA originated 111 home loans totaling \$30.9 million and 91 small business loans totaling \$15.4 million. After excluding brokered deposits from the June 30, 2020, FDIC Market Share report, the bank ranked still ranked in the top five institutions in the AA. Aggregate home mortgage data for 2019 indicates the bank's 0.17 percent market share ranked 73rd out of 421 lenders that reported home mortgage loans. Aggregate business lending data for 2019 shows the bank's 0.25 percent market share ranked 32nd out of 84 lenders that reported business loans.

### **Kent AA**

Lending levels in the Kent AA reflects adequate responsiveness to AA credit needs. FNBA's overall lending volume in the Kent AA was lower than its relative position in the local deposit market. Based on the FDIC Market Share report from June 30, 2020, FNBA ranked 17th in terms of deposit market share, with 0.93 percent. During the evaluation period, FNBA originated 57 home loans totaling \$7.5 million and 13 small business loans totaling \$1.3 million. Aggregate home mortgage data for 2019 indicates the bank's 0.06 percent market share ranked 132nd out of 437 lenders that reported home mortgage loans. Aggregate business lending data for 2019 shows the bank's 0.02 percent market share ranked 72nd out of 94 lenders that reported business loans.

## **Distribution of Loans by Income Level of the Geography**

FNBA exhibits a good geographic distribution of loans in its AAs.

### ***Home Mortgage Loans***

Refer to Table O in the state of Michigan section of *Appendix D* for the facts and data used to evaluate the geographic distribution of FNBA's home mortgage loan originations and purchases.

In determining our ratings, we weighed demographic factors of the AA that could affect FNBA's ability to lend. These factors include the bank's lower level of lending activity, competition from larger institutions, the number of low- and moderate-income CTs, branch presence, area demographics, and the location of the majority of owner-occupied housing. We also considered the bank's rank in market share within low- and moderate-income CTs.

### **Lansing AA**

The overall geographic distribution of home mortgage loans in the Lansing AA is good.

We considered that better lending opportunities exist in upper- and middle-income CTs within the AA. According to the 2015 ACS, those CTs contained 80.9 percent of owner-occupied housing units in the AA during 2019 and 2020. And while single family homes comprise 59.1 percent and 78.7 percent of housing units in low- and moderate-income CTs, respectively, only 23.5 percent in low-income CTs

and 47.4 percent in moderate-income CTs are owner occupied. In low-income CTs, this represents only 2,059 housing units, which affects the bank's lending opportunities due to the level of competition in the AA.

During 2017 and 2018, the proportion of FNBA's home mortgage loans in low-income CTs at 23.7 percent exceeds both the percentage of owner-occupied housing units of 3.7 percent and the aggregate home mortgage lending percentage of 3.3 percent. The proportion of the bank's home mortgage lending in moderate-income CTs at 23.7 percent is also above the owner-occupied housing unit percentage of 15.4 percent and the aggregate home mortgage lending percentage of 14.8 percent.

In 2019 and 2020, the proportion of FNBA's home mortgage loans in low-income CTs at 11.5 percent exceeds both the percentage of owner-occupied housing units of 2.5 percent and the aggregate home mortgage lending percentage of 2.4 percent. The proportion of the bank's home mortgage lending in moderate-income CTs at 19.2 percent is also above the owner-occupied housing unit percentage of 16.5 percent and the aggregate home mortgage lending percentage of 14.9 percent.

FNBA's rank and market share for lending in low-income CTs was adequate in 2018 and 2019. Based on 2018 aggregate data, the bank ranked 15th out of 109 lenders with 1.9 percent market share in low-income CTs. In 2019, the bank also ranked 15th out of 118 lenders with a 1.5 percent market share. FNBA's rank and market share for lending in moderate-income CTs was also adequate in 2018 and 2019. In 2018, the bank ranked 55th out of 203 lenders with 0.31 percent market share in moderate-income CTs. In 2019, the bank ranked 72nd out of 218 lenders at 0.21 percent of the market. Overall, the rankings show the bank is satisfactorily lending within low- and moderate-income CTs.

## **Kent AA**

The overall geographic distribution of home mortgage loans in the Kent AA is good.

In our analysis, we considered that better lending opportunities exist in upper- and middle-income CTs within the AA. According to the 2015 ACS, those CTs contained 80.7 percent of owner-occupied housing units in the AA. And while single family homes comprise 92.5 percent and 68.8 percent of housing units in low- and moderate-income CTs, respectively, only 33.7 percent in low-income CTs and 45.0 percent in moderate-income CTs are owner occupied. In low-income CTs, this represents only 4,182 housing units.

During the evaluation period, the proportion of FNBA's home mortgage loans in low-income CTs at 12.3 percent exceeds both the percentage of owner-occupied housing units of 2.8 percent and the aggregate home mortgage lending percentage of 2.9 percent. The proportion of the bank's home mortgage lending in moderate-income CTs at 26.3 percent is also above the owner-occupied housing unit percentage of 16.5 percent and the aggregate home mortgage lending percentage of 16.4 percent.

FNBA's rank and market share for lending in low-income CTs was adequate in 2018 and 2019. Based on 2018 aggregate data, the bank ranked 56th out of 152 lenders with 0.31 percent market share in low-income CTs. In 2019, the bank ranked 81st out of 144 lenders with a 0.16 percent market share. FNBA's rank and market share for lending in moderate-income CTs was also adequate in 2018 and 2019. In 2018, the bank ranked 110th out of 239 lenders with 0.09 percent market share in moderate-income CTs. In 2019, the bank ranked 93rd out of 238 lenders at 0.14 percent of the market.

### ***Small Loans to Businesses***

Refer to Table Q in the state of Michigan section of *Appendix D* for the facts and data used to evaluate the geographic distribution of the bank's originations and purchases of small loans to businesses.

Overall, the bank's geographic distribution of small loans to businesses is good. In determining our conclusions, we gave consideration for opportunities to lend based on the number of CTs in each income level, the level of competition, and the number of non-farm businesses located in low- and moderate-income CTs within each AA.

#### **Lansing AA**

FNBA's distribution of small loans to small businesses in low- and moderate-income CTs is good. In our analysis, we considered that better lending opportunities exist in upper- and middle-income CTs within the AA. According to 2020 D&B data, during 2019 and 2020, those CTs contained 71.1 percent of businesses in the AA.

During 2017 and 2018, the proportion of FNBA's small loans to small businesses in low-income CTs at 21.9 percent exceeds both the percentage of businesses of 7.0 percent and the aggregate small loans to business lending percentage of 8.4 percent. The proportion of the bank's small loans to small businesses in moderate-income CTs at 15.6 percent is near to both the percentage of businesses of 19.5 percent and aggregate small loans to business lending percentage of 18.1 percent.

In 2019 and 2020, the proportion of FNBA's small loans to small businesses in low-income CTs at 18.6 percent exceeds both the percentage of businesses of 6.6 percent and the aggregate small loans to business lending percentage of 7.8 percent. The proportion of the bank's small loans to small businesses in moderate-income CTs at 18.6 percent is slightly below the percentage of businesses of 19.7 percent and equals the aggregate small loans to business lending percentage of 18.6 percent.

#### **Kent AA**

FNBA's origination volume of small loans to businesses in the Kent AA was not sufficient to allow for meaningful quantitative analysis. As a result, business loans in this AA were not included in our evaluation.

### ***Lending Gap Analysis***

We reviewed summary reports and maps, and analyzed FNBA's home mortgage lending over the evaluation period to identify any gaps in the geographic distribution of loan activity. We did not identify any unexplained, conspicuous gaps.

### **Distribution of Loans by Income Level of the Borrower**

FNBA exhibits adequate distribution of loans among individuals of different income levels and businesses of different sizes, given the product lines offered by the institution.

## ***Home Mortgage Loans***

Refer to Table P in the state of Michigan section of *Appendix D* for the facts and data used to evaluate the borrower distribution of 's home mortgage loan originations and purchases.

In evaluating the borrower distribution of home mortgage loans, we considered the level of competition and its effect on limiting FNBA's ability to lend to borrowers of different incomes, as well as the economic conditions in the AA. We also considered the percentage of families that live below the poverty level, and barriers this creates for these families to qualify for home mortgage financing.

### **Lansing AA**

FNBA's overall distribution of home mortgage loans among borrowers of different income levels throughout the Lansing AA is adequate.

For 2017 and 2018, the proportion of FNBA's home mortgage loans to low- income borrowers at 6.8 percent is below but near the aggregate lending percentage of 10.6 percent. Though the bank's percentage of home mortgage loans is below the 21.4 percent of low-income families in the AA, the bank's level of lending in comparison to the demographic comparator is reasonable given that 10.9 percent of the families in the AA are living below the poverty level. The bank's proportion of home mortgage lending to moderate-income borrowers at 15.3 percent is below but near the percentage of moderate-income families in the AA at 17.7 percent and below aggregate lending at 21.3 percent.

In 2019 and 2020 FNBA's proportion of home mortgage loans to low-income borrowers at 1.9 percent is below both the aggregate lending percentage of 9.7 percent and the 21.0 percent of low-income families in the AA. The bank's proportion of loans to moderate-income borrowers at 13.5 percent is below but near the percentage of moderate-income families at 17.3 percent and below the aggregate lending percentage of 22.4 percent.

### **Kent AA**

Overall, the distribution of FNBA's home mortgage loans to borrowers of different incomes within the Kent AA is good.

The proportion of home mortgage loans to low-income borrowers at 8.8 percent exceeded the aggregate level of lending at 7.9 percent. Though FNBA's percentage of home mortgage loans to low-income borrowers is below the 20.9 percent of low-income families in the AA, the bank's level of lending in comparison to the demographic comparator is reasonable given that 10.4 percent of the families in the AA are living below the poverty level. The proportion of the bank's home mortgage loans to moderate-income borrowers at 28.1 percent exceeded both the percentage of moderate-income families in the AA at 17.4 percent and the aggregate lending percentage at 21.4 percent.

## ***Small Loans to Businesses***

FNBA's borrower distribution of small loans to businesses of different sizes is good.

Refer to Table R in *Appendix D* for the facts and data used to evaluate the bank's distribution of loans to small businesses. In evaluating the borrower distribution of loans to businesses of different sizes, we

considered the level of competition and its effect on limiting the bank's ability to lend, as well as the economic conditions in the AA.

### **Lansing AA**

The borrower distribution of FNBA's small loans to small businesses in the Lansing AA is good. During 2017 and 2018, the bank originated 56.3 percent of its small loans to businesses with revenues of \$1 million or less. In comparison, the bank's percentage is below the percentage of businesses with revenues of \$1 million or less at 78.5 percent but exceeds the aggregate lending percentage of small loans to small businesses of 45.9 percent. Similarly, in 2019 and 2020, the bank originated 61.0 percent of its small loans to businesses with revenues of \$1 million or less, which is below the percentage of businesses with revenues of \$1 million or less at 82.2 percent, but exceeds the aggregate lending percentage of small loans to small businesses of 47.9 percent.

### **Kent AA**

FNBA's origination volume of small loans to businesses in the Kent AA was not sufficient to allow for meaningful quantitative analysis. As a result, business loans in this AA were not included in our evaluation.

## **Community Development Lending**

During the evaluation period, FNBA made a relatively high level of CD loans.

The Lending Activity tables, shown above, set forth the information and data used to evaluate the institution's level of CD lending. These tables include all CD loans, including multifamily loans that also qualify as CD loans.

FNBA originated 15 qualifying CD loans totaling \$15.9 million. Below are the details regarding each loan and the AAs that benefitted. When drawing our conclusions for each AA, we considered the level of competition for CD loans within the bank's AAs from larger financial institutions and the overall economic conditions impacting the bank's ability to generate CD loans.

### **Lansing AA**

FNBA originated a relatively high level of CD loans within the Lansing AA. The bank originated 14 CD loans totaling approximately \$14.9 million during the evaluation period:

- Thirteen loans totaling \$12.7 million to organizations for affordable housing for low- or moderate-income individuals.
- A \$2.3 million loan to a chamber of commerce, located in a moderate-income CT, for an area revitalization and stabilization project.

### **Kent AA**

FNBA originated an adequate level of CD loans within the Kent AA. The bank made one loan totaling \$1.0 million for affordable housing for low- or moderate-income individuals. As the Kent AA is a single county AA and has limited opportunities for CD lending, FNBA also made two other CD loans totaling

\$2.8 million to organizations for affordable housing for low- or moderate-income individuals in adjacent counties.

## **Product Innovation and Flexibility**

FNBA makes limited use of innovative and/or flexible lending practices in order to serve AA credit needs. The bank's programs are not generally targeted to low- and moderate-income individuals and geographies, and their actual AA impact is low. FNBA offers flexible lending which can help address the credit needs of low- and moderate-income individuals and geographies and are available in areas that include the bank's AAs. However, the majority of people who benefit from the programs are located outside of the bank's AAs.

FNBA's Near-Miss Program provides assistance for purchase and refinance borrowers who do not currently qualify for conforming financing because of a bankruptcy, short-sale or because of slow mortgage payments within twelve months of application. The program also helps provide financing for self-employed individuals and borrowers with unusual property types.

The bank also participates in the Federal Home Loan Bank of Indianapolis (FHLBI) Homeownership Initiatives Program by offering access to Neighborhood Impact and Accessibility Modification grants. The various programs provide down payment assistance and home rehabilitation subsidies to low-income borrowers.

FNBA offered a Low-Cost Home Improvement Loan Program in 2017. The pilot program provided unsecured, low cost loans to low- and moderate-income people who lived in one of the bank's AAs to fund needed home improvements. The bank no longer offers this program.

### COVID-19 pandemic relief

FNBA displayed good responsiveness to the credit needs of its borrowers during the COVID-19 pandemic, through its Disaster Relief Program, by providing loan modification opportunities such as extensions and deferrals and participating in the SBA's PPP program. According to bank records, the bank approved 6,328 mortgage loan and 225 business loan payment deferrals and waived 5,356 late fees during 2020. FNBA also originated 44 PPP loans.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited-scope review, FNBA's performance under the Lending Test in the Traverse City AA is weaker than the bank's overall performance under the Lending Test in the full-scope areas due to the limited number of loans originated. The bank originated only six home mortgage loans and eight loans to small businesses within this AA during the evaluation period. Additionally, the bank originated only 44.4 percent of its small loans to businesses with revenues of \$1 million or less. The lack of CD lending also contributed to the weaker performance. Due to the relative size of the AA and associated activity levels, performance in the limited-scope area did not materially impact the bank's overall lending test rating.

Refer to Tables O, P, Q, and R in the state of Michigan section of *Appendix D* for the facts and data that support these conclusions.

## INVESTMENT TEST

The bank's performance under the Investment Test in the state of Michigan is rated High Satisfactory.

### Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's overall performance in the Lansing and Kent AAs is good.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
<b>Full Review</b>										
Lansing	0	0	41	\$6,885	41	44.1	\$6,885	51.2	0	0
Kent	0	0	36	\$4,345	36	38.7	\$4,345	32.3	0	0
<b>Limited Review</b>										
Traverse City	0	0	16	\$2,216	16	17.2	\$2,216	16.5	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>93</b>	<b>\$13,446</b>	<b>93</b>	<b>100.0</b>	<b>\$13,446</b>	<b>100.0</b>	<b>0</b>	<b>0</b>

\* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\* Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The Qualified Investment Table, shown above, set forth the information and data used to evaluate FNBA's level of qualified CD investments. This table includes all CD investment, including prior period investments that remain outstanding as of our performance evaluation.

FNBA has a significant level of qualified CD investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank made a total of 93 qualifying investments and donations totaling \$13.4 million. This equates to 4.7 percent of total tier 1 capital as of December 31, 2020.

### Lansing AA

FNBA displayed good responsiveness to the CD needs of the AA. The bank invested \$6.9 million in 41 qualified investments and donations during the evaluation period. Current investments consist of the following:

- Sixteen investments in qualifying Fannie Mae pools, through Community Capital Management and the Community Development Fund, totaling \$1.8 million. The loans were to low- and moderate-income borrowers within the AA.
- Six investments in qualifying Freddie Mac pools, through Community Capital Management and the Community Development Fund, totaling \$1.4 million. Five investments were to low- and moderate-income borrowers within the AA and one investment was a loan for low-income rental housing.
- Two investments in the Michigan State Housing Development Authority Rental Housing Revenue pools through the Community Capital Management totaling \$1.2 million for affordable rental housing in the AA.

- As a result of prepayments, refinancing or payoffs of previous CD investments in the AA, the bank reinvested \$2.5 million in two Freddie Mac and three Michigan State Housing Development Authority pools within the AA for low-income rental housing.
- Financial grants and in-kind donations totaling \$11,780 to 12 local community organizations for CD initiatives including affordable housing and social services for low- and moderate-income individuals.

## **Kent AA**

FNBA displayed good responsiveness to the CD needs of the AA. The bank invested \$4.4 million in 36 qualified investments and donations during the evaluation period. Current investments consist of the following:

- Fourteen investments in qualifying Fannie Mae pools, through Community Capital Management and the Community Development Fund, totaling \$1.9 million. The loans were to low- and moderate-income borrowers within the AA.
- Seven investments in qualifying Freddie Mac pools, through Community Capital Management totaling \$750,386. The loans were to low- and moderate-income borrowers within the AA.
- Four investments in Ginnie Mae pools, through the Community Capital Management and the Community Development Fund, totaling \$1.7 million. Three investments were to low- and moderate-income borrowers within the AA and one investment was a loan for low-income rental housing.
- Financial grants and in-kind donations, totaling \$9,000, to 11 local community organizations for CD initiatives including affordable housing and social services for low- and moderate-income individuals.

## **Conclusions for Area Receiving a Limited-Scope Review**

Based on a limited-scope review, FNBA's performance under the Investment Test in the Traverse City AA is consistent with the bank's overall performance under the Investment Test in full-scope areas. As noted above, FNBA invested \$2.2 million in 16 qualified investments and donations during the evaluation period.

## **SERVICE TEST**

FNBA's performance under the Service Test in Michigan is rated Low Satisfactory.

## **Conclusions for Areas Receiving Full-Scope Reviews**

Based on full-scope reviews, FNBA's performance in the Lansing and Kent AAs is adequate.

## **Retail Banking Services**

Service delivery systems are reasonably accessible to geographies and individuals of different income levels in the bank's AAs.

Distribution of Branch Delivery System											
Assessment Area	Deposits	Branches						Population			
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				% of Population within Each Geography			
				Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
<b>Full-Scope</b>											
Lansing	77.1	1	33.3	0.0	0.0	0.0	100.0	5.4	19.4	44.5	27.1
Kent	11.0	1	33.3	0.0	100.0	0.0	0.0	6.2	22.1	41.9	29.8
<b>Limited Scope</b>											
Traverse City	11.9	1	33.3	0.0	0.0	0.0	100.0	0.0	8.8	38.7	52.5

Data within table is based on the FDIC's Deposit Market Share Report as of June 30, 2020.

### Lansing AA

FNBA's branches are reasonably accessible to geographies and individuals of different income levels in the Lansing AA. Overall, systems for delivering retail banking services are adequate. As shown in the table above, the bank operates one branch office in the AA located in an upper-income CT. However, the branch is near to one low-income CT and three moderate-income CTs. The bank did not open or close any branches in the Lansing AA during the evaluation period. Branch hours, and the level of services available, do not vary in ways that inconvenience any portion of the AA, including low- and moderate-income individuals. The office also offers access to a full-service ATM. Other alternative delivery systems include online, mobile, and text banking.

### Kent AA

FNBA's branches are accessible to geographies and individuals of different income levels in the Kent AA. Overall, systems for delivering retail banking services are good. As shown in the table above, the bank operates one branch office in the AA located in a moderate-income CT. The branch is also near seven other moderate-income CTs. The bank did not open or close any branches in the Kent AA during the evaluation period. Branch hours, and the level of services available, do not vary in ways that inconvenience any portion of the AA, including low- and moderate-income individuals. Other alternative delivery systems include online, mobile, and text banking.

### Community Development Services

FNBA provides an adequate level of CD services.

### Lansing AA

FNBA demonstrated an adequate level of responsiveness to community needs by providing several CD services through financial and technical expertise to non-profit groups involved in affordable housing, social services for low- or moderate-income individuals, financial literacy, and economic development. During the evaluation period, bank records reflect 307.5 hours of employee time was afforded to qualified CD services. Primary examples of bank's officer and staff participation include:

- One employee served on the board of a non-profit organization focused on general social services for low- and moderate-income individuals.

- One employee served on a loan committee reviewing and approving micro-loan applications and monitoring the performance of existing companies in the loan portfolio.
- Three employees participated with the FHLBI's Affordable Housing Program, working with local organizations to find grant program candidates.

### **Kent AA**

FNBA demonstrated an adequate level of responsiveness to community needs by providing a variety of CD services through financial and technical expertise to non-profit groups involved in affordable housing, social services for low- or moderate-income individuals, financial literacy, and economic development. During the evaluation period, bank records reflect 302.5 hours of employee time was afforded to qualified CD services. Primary examples of bank's officer and staff participation include:

- One employee provided financial literacy training to students located in a moderate-income CT through the FDIC's Money Smart program.
- One employee provided identity theft training targeted to low- and moderate-income people.
- One employee prepared federal and state tax returns for low- and moderate-income people through the Volunteer Income Tax Assistance program.
- Three employees participated with the FHLBI's Affordable Housing Program, working with local organizations to find grant program candidates.

Additionally, employees participated in other non-qualifying volunteer, outreach, and fundraising service activities that benefitted low- and moderate-income individuals and non-profit organizations located within the bank's AAs.

### **Conclusions for Area Receiving a Limited-Scope Review**

Based on a limited-scope review, FNBA's performance under the Service Test in the Traverse City AA is consistent with the bank's overall performance under the Service Test in full-scope areas.

## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	Lending Test: 1/1/2017 to 12/31/2020 Investment Test and Service Test: 1/1/2017 to 12/31/2020	
<b>Bank Products Reviewed:</b>	Home mortgage loans, business loans, community development loans, qualified investments, and community development services	
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>State(s)</b>		
<u><b>State of Michigan</b></u>		
Lansing AA	Full-scope	Lansing-East Lansing MI MSA
Kent AA	Full-scope	All of Kent County. Part of Grand Rapids-Wyoming MSA
Traverse City AA	Limited-scope	All of Grand Traverse County. Not part of an MSA

## Appendix B: Summary of State Ratings

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<b>RATINGS: First National Bank of America</b>				
<b>Overall Bank:</b>	<b>Lending Test Rating*</b>	<b>Investment Test Rating</b>	<b>Service Test Rating</b>	<b>Overall Bank Rating</b>
	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory
<b>State:</b>				
Michigan	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory

(\*) The Lending Test is weighted more heavily than the Investment and Service Tests in the overall rating.

## Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals

the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under §1003.2 of this title, and that is not an excluded transaction under §1003.3(c)(1) through (10) and (13) of this title.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment

center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**MMSA (state):** Any multistate metropolitan statistical area or multistate combined statistical area, as defined by the Office of Management and Budget.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased loans are treated the same as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

- Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.
- Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.
- Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.
- Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and, 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

**Michigan Lending**

<b>Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography</b>																			<b>2017-2020</b>	
<b>Assessment Area:</b>	<b>Total Home Mortgage Loans</b>				<b>Low-Income Tracts</b>			<b>Moderate-Income Tracts</b>			<b>Middle-Income Tracts</b>			<b>Upper-Income Tracts</b>			<b>Not Available-Income Tracts</b>			
	<b>#</b>	<b>\$</b>	<b>% of Total</b>	<b>Overall Market</b>	<b>% of Owner-Occupied Housing Units</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% of Owner-Occupied Housing Units</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% of Owner-Occupied Housing Units</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% of Owner-Occupied Housing Units</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% of Owner-Occupied Housing Units</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	
<b>Full-Scope</b>																				
Lansing 2017-2018	59	16,969	33.8	13,129	3.7	23.7	3.3	15.4	23.7	14.8	47.8	39.0	46.8	32.9	11.9	34.9	0.1	1.7	0.2	
Lansing 2019-2020	52	13,973	30.0	17,115	2.5	11.5	2.4	16.5	19.2	14.9	50.8	46.2	49.4	30.1	21.2	33.2	0.1	1.9	0.2	
Kent	57	7,508	32.8	28,494	2.8	12.3	2.9	16.5	26.3	16.4	45.9	49.1	44.7	34.8	12.3	36.1	0.0	0.0	0.0	
<b>Limited Scope</b>																				
Traverse City	6	876	3.4	3,632	0.0	0.0	0.0	5.6	16.7	3.6	36.3	16.7	35.1	58.0	66.7	61.4	0.0	0.0	0.0	
<b>Total</b>	<b>174</b>	<b>39,326</b>	<b>100.0</b>	<b>62,370</b>	<b>2.5</b>	<b>15.3</b>	<b>2.5</b>	<b>15.6</b>	<b>22.7</b>	<b>14.9</b>	<b>47.2</b>	<b>43.8</b>	<b>45.6</b>	<b>34.7</b>	<b>17.0</b>	<b>36.9</b>	<b>0.0</b>	<b>1.1</b>	<b>0.1</b>	
<i>Source: 2015 ACS Census; 01/01/2017 - 12/31/2020 bank data, 2019 HMDA aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>																				

<b>Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower</b>																			<b>2017-2020</b>	
	<b>Total Home Mortgage Loans</b>				<b>Low-Income Borrowers</b>			<b>Moderate-Income Borrowers</b>			<b>Middle-Income Borrowers</b>			<b>Upper-Income Borrowers</b>			<b>Not Available-Income Borrowers</b>			
<b>Assessment Area:</b>	<b>#</b>	<b>\$</b>	<b>% of Total</b>	<b>Overall Market</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	<b>% Families</b>	<b>% Bank Loans</b>	<b>Aggregate</b>	
<b>Full-Scope</b>																				
Lansing 2017-2018	59	16,969	33.8	13,129	21.4	6.8	10.6	17.7	15.3	24.1	20.4	15.3	23.6	40.5	6.8	31.0	0.0	55.9	10.7	
Lansing 2019-2020	52	13,973	30.0	17,115	21.0	1.9	9.7	17.3	13.5	22.4	20.7	5.8	23.8	41.0	9.6	33.8	0.0	69.2	10.3	
Kent	57	7,508	32.8	28,494	20.9	8.8	7.9	17.4	28.1	21.4	21.7	17.5	24.0	40.1	14.0	37.6	0.0	31.6	9.1	
<b>Limited Scope</b>																				
Traverse City	6	876	3.4	3,632	12.9	33.3	2.9	14.0	0.0	11.6	21.2	16.7	21.8	51.8	33.3	54.1	0.0	16.7	9.7	
<b>Total</b>	<b>174</b>	<b>39,326</b>	<b>100.0</b>	<b>62,370</b>	<b>20.3</b>	<b>6.8</b>	<b>8.2</b>	<b>17.1</b>	<b>18.2</b>	<b>21.0</b>	<b>21.2</b>	<b>13.1</b>	<b>23.8</b>	<b>41.3</b>	<b>11.4</b>	<b>37.5</b>	<b>0.0</b>	<b>50.6</b>	<b>9.6</b>	
<i>Source: 2015 ACS Census; 01/01/2017 - 12/31/2020 bank data, 2019 HMDA aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>																				

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2017-2020</b>		
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate		
<b>Full-Scope</b>																					
Lansing 2017-2018	18	3,643	25.4	6,238	7.0	21.9	8.4	19.5	15.6	18.1	35.8	40.6	32.3	34.8	18.8	40.1	2.9	3.1	1.1		
Lansing 2019-2020	36	6,199	50.7	7,003	6.6	18.6	7.8	19.7	18.6	18.6	40.0	39.1	36.9	31.1	23.7	35.7	2.6	0.0	1.0		
Kent	9	723	12.6	12,307	4.3	16.7	5.0	18.3	8.3	18.5	37.7	66.7	37.8	39.7	8.3	38.7	0.0	0.0	0.0		
<b>Limited Scope</b>																					
Traverse City	8	208	11.3	2,770	0.0	0.0	0.0	12.3	0.0	12.5	44.4	50.0	46.6	43.3	50.0	40.9	0.0	0.0	0.0		
<b>Total</b>	<b>71</b>	<b>10,773</b>	<b>100.0</b>	<b>22,080</b>	<b>4.7</b>	<b>16.5</b>	<b>5.3</b>	<b>18.1</b>	<b>14.1</b>	<b>17.8</b>	<b>39.3</b>	<b>43.8</b>	<b>38.6</b>	<b>36.9</b>	<b>24.8</b>	<b>38.0</b>	<b>1.0</b>	<b>0.8</b>	<b>0.3</b>		
Source: 2020 D&B Data; 01/01/2017 - 12/31/2020 bank data; 2019 CRA aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0%																					

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>											<b>2017-2020</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans	
<b>Full-Scope</b>												
Lansing 2017-2018	18	3,643	25.4	6,238	78.5	56.3	45.9	6.9	43.7	14.6	0.0	
Lansing 2019-2020	36	6,199	50.7	7,003	82.2	61.0	47.9	5.3	35.6	12.4	3.4	
Kent	9	723	12.6	12,307	82.4	75.0	42.3	7.1	25.0	10.6	0.0	
<b>Limited Scope</b>												
Traverse City	8	208	11.3	2,770	84.8	44.4	50.6	5.7	55.6	9.5	0.0	
<b>Total</b>	<b>71</b>	<b>10,773</b>	<b>100.0</b>	<b>22,080</b>	<b>82.6</b>	<b>58.7</b>	<b>45.1</b>	<b>6.3</b>	<b>39.6</b>	<b>11.1</b>	<b>1.7</b>	
<i>Source: 2020 D&amp;B data; 01/01/2017 - 12/31/2020 bank data; 2019 CRA aggregate data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>												