



**PUBLIC DISCLOSURE**

January 4, 2021

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

First National Bank in Howell  
Charter Number 14144

101 East Grand River Ave.  
Howell, MI 48843

Office of the Comptroller of the Currency

200 Public Square, Suite 1610  
Cleveland, OH 44114-2301

**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 Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors that support this rating include:

- The Lending Test rating is based on the state rating and the following overall conclusions.
  - The loan-to-deposit (LTD) ratio is reasonable.
  - A majority of the bank's loans are inside the assessment area (AA).
  - The bank exhibits excellent geographic distribution of loans in its AA.
  - The bank exhibits a reasonable distribution of loans to businesses of different sizes.
- The Community Development (CD) Test rating is based on the state rating, which is satisfactory. Overall, the bank's level of CD lending, qualified investments, and CD services represents adequate responsiveness to CD needs, considering the bank's capacity and the need and availability of opportunities for CD in the AA.

### Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA, the bank's loan-to-deposit ratio is reasonable.

The First National Bank in Howell's (FNBH or bank) quarterly average LTD ratio over the 16 quarters since the previous Community Reinvestment Act (CRA) evaluation (December 31, 2016 to September 30, 2020) is 83.6 percent. The ratio ranged from a low of 66.1 percent at December 31, 2016, to a high of 96.9 percent at September 30, 2019. The bank's quarterly average LTD ratio of 83.6 percent is reasonable when compared to financial institutions of similar size in the bank's surrounding area, which includes ten financial institutions with total assets less than \$1 billion and bank offices in a five-county area. (FNBH is the only bank headquartered in Livingston County, Michigan.) The other 10 financial institutions have an average LTD ratio of 85.3 percent. During the evaluation period, the economic conditions of the AA were favorable with strong competition from other financial institutions.

### Lending in Assessment Area

A majority of the bank's loans are inside its AA.

The bank originated and purchased 65 percent of its total loans inside the bank's AA during the evaluation period. This analysis is performed at the bank, rather than the AA, level.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
<b>Small Business</b>										
2017	11	55.0	9	45.0	20	1,087	47.8	1,189	52.2	2,276
2018	15	75.0	5	25.0	20	2,219	59.5	1,512	40.5	3,731
2019	13	65.0	7	35.0	20	2,836	81.6	640	18.4	3,476
<b>Total</b>	39	65.0	21	35.0	60	6,142	64.8	3,341	35.2	9,483

*Source: 1/1/17 – 12/31/19 Bank Data; Loan Sample.  
Due to rounding, totals may not equal 100.0 percent.*

## Description of Institution

FNBH is a full-service community bank headquartered in Howell, Michigan. It is a wholly owned subsidiary of FNBH Bancorp, Inc., a one-bank holding company, which is also located in Howell, Michigan. The bank operates eight full-service offices within the community it serves, all of which are in Livingston County, Michigan. The bank has branches in the cities or townships of Howell, Brighton, Fowlerville, Hartland, and Whitmore Lake. FNBH maintains a branch location in three of the four moderate-income census tracts (CTs) in the AA, with the remaining offices in middle- and upper-income CTs. Each branch has access to automated teller machines (ATMs). Additionally, seven of the eight branches offer drive through services. The bank does not have any stand-alone ATMs or remote deposit taking facilities. The bank did not open or close any full-service offices during the evaluation period. However, the bank opened a loan production office (LPO) in Waterford, Michigan in 2017; it does not have an ATM. In 2018, the bank opened an LPO in Ann Arbor, Michigan, and then closed it in 2019. There is no merger or acquisition activity that affects the scope of the bank's operations during the evaluation period.

As of December 31, 2019, FNBH had \$431 million in total assets, \$52 million in tier 1 capital, and net loans of \$355 million, or 82 percent of total assets. The bank offers a variety of traditional lending and deposit products and services through their full-service banking offices to accommodate their customers, including business, home mortgage, and consumer loans. The bank also offers a wide range of deposit products and services, including checking, savings, money market accounts, certificates of deposit, and overdraft protection. Additionally, the bank offers online, mobile, and telephone banking.

Business related deposit products and services include checking and money market accounts, interest on lawyer's trust accounts (IOLTAs), sweep accounts, lockbox services, and cash management services. The bank offers a non-profit organization checking account, which includes unlimited check clearing and deposits, no service fees, and free online banking and e-Bill pay services. The bank also offers loans under the Small Business Administration (SBA) to assist in meeting the needs of small businesses.

During the evaluation period, the bank's primary business focus was commercial/commercial real estate lending (small loans to businesses). The bank increased its home mortgage lending volume in 2019. Home mortgage lending may be a primary product in the future but was not considered to be a primary product during this evaluation since the volume did not increase until the last year of the evaluation

period (2019). The bank's loan portfolio, as of the December 31, 2019 Consolidated Report of Condition and Income (Call Report), is comprised of commercial/commercial real estate loans of 64 percent, home mortgage loans (including home equity lines of credit) of 21 percent, consumer loans of 14 percent, and farm loans of one percent.

FNBH is a single state financial institution with one AA in the State of Michigan, which is the bank's only rating area. The bank's AA includes Livingston County, Michigan, in its entirety. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- and moderate-income (LMI) geographies. The AA is described in the "Scope of the Evaluation" section under "Selection of Areas for Full-Scope Review."

FNBH's last CRA Performance Evaluation was dated January 5, 2017, and the overall CRA rating was Satisfactory. There were no financial or legal impediments that affected the bank's ability to help meet the credit needs of its AA during the evaluation period.

## **Scope of the Evaluation**

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

We conducted a CRA evaluation to assess the bank's record of meeting the credit and CD needs of its entire community, including LMI areas. We used intermediate small bank CRA evaluation procedures to assess the bank's performance under the Lending Test and CD Test. We analyzed lending activity in full-year increments during the evaluation period, January 1, 2017 to December 31, 2019. The CD Test considered CD loans, investments, and services from January 6, 2017 to December 31, 2019 (CD evaluation period).

With an evaluation period end date of December 31, 2019, qualifying activities performed in response to the significant impact the coronavirus pandemic has had on economies across the United States are not addressed in this evaluation. Bank qualifying activities will be appropriately considered in the subsequent evaluation.

Based on discussions with management and the number and dollar volume of loan origination data supplied by the bank, the bank's primary lending focus is lending to businesses, which includes commercial real estate and commercial and industrial loans with original loan amounts of \$1 million or less. Based on the dollar volume of loans originated and purchased during the evaluation period (2017 – 2019), business loans accounted for 56 percent, home mortgage loans (including home equity lines of credit) accounted for 27 percent, and consumer loans accounted for 17 percent of total loan originations and purchases. Based on the number of loans originated and purchased during the evaluation period, business loans accounted for 12 percent, home mortgage loans (including home equity lines of credit) accounted for 20 percent, and consumer loans accounted for 68 percent of total loan originations and purchases. The bank's volume of home mortgage loans increased in 2019 but is not considered a primary product during the evaluation period due to it was only a primary product in one of the three years in the evaluation period. Management stated that consumer loans are not considered to be a primary product for the bank. Therefore, the OCC did not consider these lending programs as part of this evaluation as the analysis would not be meaningful. To evaluate the bank's performance, we relied on internal bank reports to identify small loans to businesses. The OCC transaction tested 60 small

loans to businesses originated or purchased during the evaluation period to assess the bank's performance relative to the geographic and borrower income distributions, as well as lending in the AA.

For analysis purpose, we compared the bank's lending performance with demographic data from the 2015 American Community Survey (ACS) U.S. Census and Dun and Bradstreet (D&B) Data as of June 2019. No affiliate activity was included in this analysis. Refer to the table in appendix A, Scope of the Examination, for more information on the scope of the review.

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

In each state where the bank has an office, one or more of the AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under each State Rating 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.

FNBH has one AA, Livingston County, Michigan (Livingston County AA), in its entirety. Livingston County is in the Warren-Troy-Farmington Hills, MI Metropolitan Division (MD). We completed a full-scope review of the Livingston County AA. There were no AA changes since the previous CRA evaluation in 2017. A community profile for the Livingston County AA is provided in the "Description of Institution's Operations in Michigan" in the State of Michigan section of this evaluation.

### **Ratings**

The bank's overall rating is based on the State of Michigan rating.

FNBH operates in the State of Michigan, with all branches in Michigan. The State of Michigan rating is based on performance in the bank's only AA, the Livingston County AA. Refer to the "Scope" section under the state section for details regarding how the areas were weighted in arriving at the respective ratings.

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

Pursuant to 12 CFR 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 AA 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 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<sup>1</sup>:** Satisfactory.

**The Lending Test is rated:** Satisfactory.

**The Community Development Test is rated:** Satisfactory.

The major factors that support this rating include:

- The bank exhibits excellent geographic distribution of loans in the state.
- The bank's distribution of small loans to businesses reflects a reasonable distribution to businesses of different sizes.
- The bank's responsiveness to CD needs of the AA through qualified investments and CD services is overall adequate.

### Description of Institution's Operations in Michigan

FNBH has designated one AA, Livingston County, Michigan, in its entirety. Livingston County is in the Warren-Troy-Farmington Hills, MI MD. Livingston County is one of five counties in the Warren-Troy-Farmington Hills, MI MD. The other four counties include Lapeer, Macomb, Oakland, and St. Clair, and these counties are not included in the bank's AA. The Warren-Troy-Farmington Hills, MI MD is a subdivision of a larger MSA, the Detroit-Warren-Dearborn, MI MSA. The AA meets regulatory requirements and does not arbitrarily exclude any LMI areas. Livingston County is situated adjacent to Ingham County (Lansing), Washtenaw County (Ann Arbor), and Oakland County in the central part of Michigan's Lower Peninsula. The county's proximity to the State Capital, the University of Michigan and Michigan State University, as well as Oakland County, one of the state's wealthiest counties, has provided a favorable environment for growth over the evaluation period. Bank management selected the AA based on their targeted lending territory, the areas with the most deposit activity, and office locations during the evaluation period.

The AA continues to experience population growth greater than the average growth rate in the State of Michigan. Since the 2015 ACS U.S. Census, the estimated population growth in the AA has increased by approximately four percent compared to the state population growth of about one percent. Livingston County's population as of the 2015 ACS U.S. Census was 184,591, and the estimated population as of 2019 is 191,995. Based on the 2015 ACS U.S. Census data, the AA comprises 61 CTs, of which four are moderate-income, 36 are middle-income, and 21 are upper-income tracts. In addition, the AA has no designated distressed or underserved middle-income areas. Most of the businesses in the AA are small as measured by the number of employees and gross revenues. According to the D&B Data as of June 2019, 86.6 percent of the businesses located in the AA have annual gross revenues of \$1

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<sup>1</sup> This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.

million or less and 67.9 percent have fewer than five employees. Only 1.7 percent of the businesses are headquartered in the bank's AA, and 91.4 percent operate from a single location.

Livingston County has one of the highest median household incomes and lowest poverty rates in the State of Michigan. The median household income in Livingston County is significantly higher than the average median household income in the State of Michigan. Refer to the table below for additional demographic information regarding the AA.

During the evaluation period, the economic conditions in the AA were overall stable and growing. On average, the annual unemployment rate for 2019 of 3.3 percent (not seasonally adjusted) for Livingston County compared favorably to the State of Michigan's annual unemployment rate of 4.1 percent, the Warren-Troy-Farmington Hills, MI MD rate of 3.8 percent, and the national unemployment rate of 3.7 percent. The source of the unemployment data is the U.S. Bureau of Labor Statistics.

Large industries within the AA include manufacturing, services, construction, and retail trade. Livingston County offers convenient access to the major metropolitan centers of Detroit, Lansing, Ann Arbor, and Flint. People from the AA commute to all four cities for employment. Major employers in the AA include Citizens Insurance Company, Trinity Health, Livingston Education Service Agency, Chem-Trend, Inc., Tribar Manufacturing, PepsiCo, Thai Summit American Corporation, Gordon Foods, Hatch Stamping, and the school districts in Howell, Brighton, and Hartland.

FNBH's primary business focus is business lending (small loans to businesses). According to the 2019 Peer Small Business Data, five banks dominate the small business lending market share in the AA, accounting for about 68.3 percent of the number of small loans originated, with one bank responsible for 22.6 percent of the number of small business loans made in the AA. FNBH is not required to and does not report its small business loan information. According to the D&B Data as of June 2019, the AA has 12,597 non-farm businesses. The total number of non-farm businesses with gross revenues of \$1 million or less is 10,911, representing 86.6 percent of all non-farm businesses.

The AA has a competitive banking environment, with a mix of large and community banks, as well as credit unions serving the area. According to the June 30, 2019, Federal Deposit Insurance Corporation's (FDIC) Deposit Market Share Report, there were 15 financial institutions operating 47 banking offices in Livingston County, including FNBH. Competition in the AA is primarily large regional and national banks including JPMorgan Chase Bank, N.A., PNC Bank, N.A., and Fifth Third Bank. The June 30, 2019 FDIC deposit market share data shows FNBH's \$365 million in total deposits in the AA ranks third in overall deposit market share at 12.1 percent.

As part of this CRA evaluation, we reviewed information provided from an interview with a representative from a non-profit organization. The contact identified quality housing, small rehabilitation loans for home modifications, and financial education as needs in the community. The contact also identified needs for volunteers for various programs, including teaching financial education classes. In general, local financial institutions are adequately meeting the credit and CD needs of the community.

The following table shows demographic data for the Livingston County AA.

#### Livingston County AA

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Livingston County 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)	61	0.0	6.6	59.0	34.4	0.0
Population by Geography	184,591	0.0	5.8	58.0	36.2	0.0
Housing Units by Geography	74,169	0.0	6.9	59.5	33.7	0.0
Owner-Occupied Units by Geography	58,358	0.0	3.4	58.7	37.8	0.0
Occupied Rental Units by Geography	10,622	0.0	22.9	61.3	15.8	0.0
Vacant Units by Geography	5,189	0.0	12.7	63.9	23.4	0.0
Businesses by Geography	12,597	0.0	11.5	51.9	36.6	0.0
Farms by Geography	574	0.0	3.8	65.7	30.5	0.0
Family Distribution by Income Level	51,548	13.8	17.3	22.4	46.5	0.0
Household Distribution by Income Level	68,980	16.0	14.6	18.2	51.1	0.0
Median Family Income MSA - 47664 Warren-Troy-Farmington Hills, MI		\$76,739	Median Housing Value			\$190,455
			Median Gross Rent			\$947
			Families Below Poverty Level			4.1%
<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>						

## Scope of Evaluation in Michigan

We performed a full-scope review of the Livingston County AA. The data in the AA was analyzed and presented as one AA for purposes of this evaluation. During the evaluation period, small loans to businesses were the bank's primary lending product and were evaluated under the Lending Test. We transaction tested 60 small loans to businesses that were originated or purchased inside the AA for the geographic distribution and borrower income/revenue analysis. We also reviewed CD loans, investments, and services in the Livingston County AA during the evaluation period. Refer to the "Scope of the Evaluation" section for more details.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MICHIGAN

## **LENDING TEST**

The bank's performance under the Lending Test in the State of Michigan is rated Satisfactory.

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

Based on a full-scope review, the bank's lending performance in the State of Michigan is reasonable.

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

The bank exhibits excellent geographic distribution of loans in the State of Michigan.

#### ***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.

We compared the percentage of the number of small loans to businesses originated or purchased by the bank in the four geographic income categories to the distribution of businesses throughout those geographies (demographic data), placing emphasis on the LMI geographies. We also compared the bank's performance against the percentage of small loans to businesses of other lenders (aggregate data), as demonstrated by CRA aggregate data.

FNBH exhibits excellent geographic distribution of small loans to businesses in the Livingston County AA. The percentage of small loans to businesses originated or purchased by the bank in the moderate-income CTs significantly exceeds both the demographic comparator and CRA aggregate lending data of other lenders.

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

Overall, we did not identify any unexplained, conspicuous gaps in the lending distribution. We reviewed internal bank reports and maps to identify potential significant gaps in the small business geographic distribution of loans over the evaluation period.

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

The bank exhibits a reasonable distribution of loans to businesses of different sizes, given the product lines offered by the bank.

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

Refer to Table R in the State of Michigan section of appendix D for the facts and data used to evaluate the borrower distribution of the bank's originations and purchases of small loans to businesses.

We compared the percentage distribution of the number of small loans to businesses originated and purchased by the bank (by annual gross revenue level) to businesses with annual gross revenues of \$1

million or less. We also compared the bank's performance to aggregate small business data, as demonstrated by CRA aggregate data.

FNBH exhibits a reasonable distribution of small loans to businesses of different sizes within the AA. As evidenced in Table R in Appendix D, the bank's percentage of small loans to businesses with annual gross revenues of \$1 million or less is below the percentage of businesses with annual gross revenues of \$1 million or less (demographic data); however, the bank's percentage is commensurate with CRA aggregate data. In the lending analysis, the OCC considered performance context factors, including strong competition in the AA. Five large financial institutions account for 68.3 percent of the small business loan market share in the bank's AA, as of the 2019 Peer Small Business Data Report.

### Responses to Complaints

During the evaluation period, the bank has not received any complaints about its CRA performance in helping to meet the AA's credit needs.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test in the State of Michigan is rated Satisfactory.

### Conclusions for Area Receiving a Full-Scope Review

Based on a full-scope review, the bank exhibits adequate responsiveness to CD needs in the state through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for CD in the bank's AA.

### Number and Amount of Community Development Loans

The CD Loans Table, shown below, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

FNBH did not originate or purchase any qualified CD loans during the evaluation period, which is the result of limited opportunities to originate CD loans and the level of competition from larger financial institutions for CD loans within the AA. Management focused their efforts on qualified investments and CD services.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$(000's)	% of Total \$
Livingston County AA	0	0	0	0

## Number and Amount of Qualified Investments

Assessment Area	Qualified Investments									
	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Livingston County AA	0	0	55	101	55	100.0	101	100.0	0	0

\* 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, sets forth the information and data used to evaluate the bank's level of qualified CD investments. The table includes all CD investments, including prior period investments that remain outstanding as of the examination date.

The bank's qualified investment activity represents adequate responsiveness to the CD investment needs and opportunities in the AA. During the evaluation period, FNBH made 55 qualifying investments totaling \$101,307, including donations to non-profit organizations that support local affordable housing, provide community services to LMI individuals and families, or promote economic development in moderate-income areas. For example, the bank provided qualifying investments to organizations that provide basic dental care to low-income individuals in Livingston County, support domestic violence centers, provide affordable housing to LMI individuals and families, provide other community services/assistance to LMI individuals and families (heating assistance), and support economic development in moderate-income areas. The bank has four moderate-income CTs in the AA, which includes areas in Howell, Brighton, and Fowlerville, Michigan.

During the previous CRA evaluation, the bank made a \$1.1 million qualified investment into a CRA loan pool purchase of seven home mortgage loans to LMI borrowers in the AA (purchased in 2016). In September 2018, the bank sold this investment with a face value of \$622,627. This investment was outstanding for a little over half of the current CRA evaluation period but was not outstanding as of the examination date of December 31, 2019. Therefore, it was not listed in the table above.

## Extent to Which the Bank Provides Community Development Services

FNBH exhibits adequate responsiveness to CD needs through CD services over the evaluation period. The bank has multiple employees that serve on boards, or in a financial capacity role, that focus on providing CD services, affordable housing, or economic development in the moderate-income CTs in the AA. During the evaluation period, at least 12 employees regularly participated in 41 qualified service activities totaling over 1,295 hours, such as serving on boards of directors or handling treasurer functions of non-profit organizations. Employees participating on the board or serving in other financial capacities provided financial guidance to non-profit organizations. In addition, many employees also participated in numerous non-qualifying fundraising and other volunteer service activities that benefited LMI individuals and families and non-profit organizations serving the AA.

FNBH offers a full range of banking products and services throughout its branch offices. Services offered and hours of operation are comparable among locations. The bank's branches are well distributed throughout the AA and offer excellent accessibility to financial services for LMI individuals and small businesses. FNBH maintains full-service branch locations and ATMs in three of the four moderate-income CTs in the AA. To further support consumer access to financial services, the bank offers online, mobile, and telephone banking services. In addition, it offers deposit products and services to organizations that assist LMI individuals. Deposit products and services include a free checking account specific to non-profit organizations. As of September 30, 2019, the bank had 77 non-profit accounts totaling \$2.5 million. The bank also offers IOLTAs, which are used to assist in providing legal help to LMI individuals. As of December 31, 2019, the bank had 27 IOLTAs, totaling \$872,614 in deposits. In addition, FNBH has established a School Banking Kids Savings program to help young people learn to save at an early age. The bank provides the program to an elementary school in a moderate-income CT two afternoons a month. As of December 31, 2019, the bank had 15 school bank accounts totaling \$10,334.

## 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 MSA(s) and non-MSA(s) 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>	01/01/17 to 12/31/19	
<b>Bank Products Reviewed:</b>	Small business loans CD loans, qualified investments, and CD services	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<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 - Michigan</b>		
Livingston County AA	Full-Scope	The bank’s AA includes Livingston County, Michigan, in its entirety, which is in the Warren-Troy-Farmington Hills, MI 47664 MD.

## Appendix B: Summary of State Ratings

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RATINGS: First National Bank in Howell			
<b>Overall Bank:</b>	Lending Test Rating*	CD Test Rating	Overall Bank/State/Multistate Rating
First National Bank in Howell	Satisfactory	Satisfactory	Satisfactory
<b>State:</b>			
Michigan	Satisfactory	Satisfactory	Satisfactory

(\*) The Lending Test and Community Development Test carry equal weight in the overall rating.

## Appendix C: Definitions and Common Abbreviations

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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 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**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 (MD):** 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 (MSA):** 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.

**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 are treated 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.

- Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues** - Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and, 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.
- Table U. Assessment Area Distribution of Consumer 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 households in those geographies.
- Table V. Assessment Area Distribution of Consumer 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 households by income level in each MMSA/assessment area.

**State of Michigan**

<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2017-19</b>		
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts				
	#	\$ (000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate		
Livingston County AA	60	8,718	100.0	4,218	0.0	0.0	0.0	11.5	26.7	9.4	51.9	53.3	51.3	36.6	20.0	39.4	0.0	0.0	0.0		
<b>Total</b>	<b>60</b>	<b>8,718</b>	<b>100.0</b>	<b>4,218</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>11.5</b>	<b>26.7</b>	<b>9.4</b>	<b>51.9</b>	<b>53.3</b>	<b>51.3</b>	<b>36.6</b>	<b>20.0</b>	<b>39.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>		

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2019 CRA Aggregate Data.  
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>2017-19</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$ (000s)	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Livingston County AA	60	8,718	100.0	4,218	86.6	50.0	50.8	5.3	48.3	8.0	1.7		
<b>Total</b>	<b>60</b>	<b>8,718</b>	<b>100.0</b>	<b>4,218</b>	<b>86.6</b>	<b>50.0</b>	<b>50.8</b>	<b>5.3</b>	<b>48.3</b>	<b>8.0</b>	<b>1.7</b>		

*Source: 2019 D&B Data; 01/01/2017 - 12/31/2019 Bank Data; 2019 CRA Aggregate Data.  
Due to rounding, totals may not equal 100.0%.*