



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**October 20, 2003**

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

**First Independence National Bank of Detroit  
Charter Number 15801**

**44 Michigan Avenue  
Detroit, MI 48226**

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

**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, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S CRA RATING**

### **This institution is rated Satisfactory.**

The major factors that support this rating are:

- First Independence National Bank of Detroit (First Independence) has demonstrated a satisfactory performance of loan activity within its assessment area (AA). A sample of two loan products disclosed that a majority of loans are in the bank's AA.
- The bank's loan-to-deposit ratio is less than reasonable. First Independence's loan-to-deposit ratio over the evaluation period was 44 percent, which represents a low level. The bank's loan-to-deposit ratio has declined since the prior CRA evaluation when it was 52 percent. Management has taken steps to increase its lending activity by offering more loan products to the community.
- First Independence's geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- The bank has demonstrated a good record of lending to borrowers of all income levels, and to businesses of different sizes. The bank was found to have a good record of lending to small businesses and lending to low- and moderate-income borrowers. This was based on a loan sample.
- First Independence is active in servicing low- and moderate-income individuals and families through community development (CD) loans, qualifying investments, and CD services.

## **DESCRIPTION OF INSTITUTION**

First Independence, a \$167.4 million intrastate financial institution, is a subsidiary of First Independence Corp., a one-bank holding company. Both the bank and the holding company are headquartered in the City of Detroit, which is located in the southeast part of Michigan. First Independence has four offices including the main office, all of which are located in the City of Detroit. There have been no branch openings or closings since the previous CRA evaluation. First Independence is a full service financial institution, offering a wide range of products. Loan products include: commercial/business loans, consumer loans, and residential mortgages. Commercial loans are the primary loan product of the bank. First Independence is active in providing loans to churches, multi-family housing, and charter schools. The bank also provides a variety of retail loan products, which include residential mortgages, home improvement/home equity loans, auto loans, personal loans, and other consumer related loan products. The bank did not actively offer residential mortgages for a about two years during the evaluation period. Management began to offer residential mortgages again in 2003. Over the evaluation period bank personnel have met with community groups to inform citizens about how to qualify for a

loan. As part of this effort management developed an information package to inform citizens on how to understand their credit score, how to build a credit history, budgeting, and steps to improve one’s credit history. The four branch offices provide ATM services. The bank offers a variety of checking and savings accounts. Other services include safe deposit boxes, wire transfer, lock box services, wire transfer, and notary services.

As of September 30, 2003, the bank reported approximately \$52 million in outstanding loans. Net loans and leases to average asset ratio was 30.3 percent and tier one leverage capital was 13.5 million or 8.7 percent of adjusted average assets. Commercial loans comprised 73.1 percent of the total loan portfolio, 1-4 family residential mortgages represented 19.0 percent, and consumer loans represented 7.9 percent (See Table 1).

<b>Loan Category</b>	<b>Dollar Amount (000)</b>	<b>Percentage</b>
Commercial Lending	\$38,042	73.1%
1-4 Family Residential Mortgage Loans	\$ 9,877	19.0%
Consumer Loans (including home equity loans)	\$ 4,136	7.9%
<b>Total</b>	<b>\$52,055</b>	<b>100.0%</b>

There are no legal impediments, which would adversely affect the bank’s ability to serve the community. The previous CRA examination was performed in the first quarter of 1998 and resulted in a CRA rating of “satisfactory.”

## **DESCRIPTION OF ASSESSMENT AREA**

First Independence’s AA consist of the cities of Detroit, Hamtramck and Highland Park. The AA meets the requirements of the CRA regulation. The AA has a total of 339 census tracts. The breakdown of the census tracts includes: 323 census tracts in the City of Detroit, eight in Hamtramck, and eight in Highland Park. The AA encompasses a relatively large number of low- and moderate-income census tracts. Low- and moderate-income census tracts represent 54 percent and 28 percent of the total census tracts, respectively. All census tracts in Hamtramck and Highland Park are either low or moderate-income tracts.

There are 16 financial institutions serving the AA based on the June 30, 2003 FDIC deposit market share report. There are 10 regional banks and six community banks. The AA is also serviced by a number of credit unions. The number of financial institutions in the AA provides a competitive banking environment. First Independence is ranked 7 in market share with a 0.7 percent share based on deposits in the AA. The two largest banks serving the AA are Comerica Bank and Bank One. Combined, these two financial institutions represent 91 percent of the deposit market share.

The AA is predominantly an urban area. The cities of Detroit, Hamtramck, and Highland Park are located in Wayne County. Employment in the AA and the surrounding areas is highly tied to

the automotive industry. Both General Motors and Ford Motor Company are headquartered in Wayne County. Other major employers include Electronic Data Systems (EDS), Compuware, Wayne State University, and the Detroit Medical Center.

Local economic conditions are worse than many other counties in the State of Michigan. The cities of Detroit, Hamtramck, and Highland Park suffer from high unemployment. In addition, the AA is made up of a relatively large number of low- and moderate-income areas. The unemployment rate for September 2003 for Wayne County of 9.1 percent compares unfavorably to the overall unemployment rate for Michigan of 7.4 percent.

<p><b>Table 2</b></p> <p style="text-align: center;"><b>Demographic Information</b></p> <p style="text-align: center;"><b>First Independence's Assessment Area</b></p> <p style="text-align: center;"><b>Detroit, Hamtramck, and Highland Park – a portion of MSA 2160.</b></p>						
Demographic Characteristics	#	Low (% Of #)	Moderate (% Of #)	Middle (% Of #)	Upper (% Of #)	NA* (% Of #)
Geographies (Census Tracts)	339	54.0	27.7	13.3	3.8	1.2
Population by Income Level of Geography	1,066,467	49.6	32.3	15.5	2.6	0.00
Family Distribution by Income Level of Geography	256,471	47.8	33.0	16.6	2.6	0.00
Owner-Occupied Housing Units by Income Level of Geography	427,890	38.4	36.4	21.8	3.4	0.00
Businesses by Income Level of Geography	27,489	41.0	31.7	16.4	10.9	0.00
Distribution of Families by Income Level Throughout AA	256,471	46.4	18.3	17.4	17.9	0.00
Businesses by Revenue Level	Revenues <= 1 Million 85.1%		Revenues > 1 Million 9.5%		Revenues not Reported 5.4%	
HUD Adjusted Median (ADM) Family Income 2002 <ul style="list-style-type: none"> <li>• Low Income (below 50% of ADM)</li> <li>• Moderate Income (50 to 79.99% of ADM)</li> <li>• Middle Income (80% to 119.99% of ADM)</li> <li>• Upper Income (120% and above ADM)</li> </ul> Households Below the Poverty Level	= \$69,900 = \$0 - \$34,949 = \$34,950 - \$55,919 = \$55,920 - \$83,879 = \$83,880 - Above = 120,722			Unemployment Rate – Sept 2003: United States Michigan Wayne County		= 6.1% = 7.4% = 9.1%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
**Data Sources:** 1990 U.S. Census; US Department of Labor. Dun and Bradstreet 2002.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

First Independence has exhibited a reasonable record of addressing the credit needs of the AA in light of its size, resources, and financial condition. Although the bank's loan-to-deposit ratio was found to be less than reasonable First Independence is active in CD loans, qualifying investments, and CD services that are directed at low- and moderate-income individuals and families. First Independence was found to have a reasonable geographic distribution of loans throughout the AA, a good level of lending to small businesses with revenues of \$1 million or less, and a good performance of lending to borrowers of different income levels including low- and moderate-income borrowers.

To evaluate First Independence's CRA performance a sample of the bank's two main loan products was taken. This included a sample of home improvement/home equity loans and commercial loans. As previously noted, First Independence was not actively offering mortgage loans during a substantial portion of the evaluation period.

As part of this evaluation, we considered the CRA Performance Evaluations from other similar size banks in the AA, and used a variety of demographic information to assist in evaluating the bank's performance. We contacted community organizations to assess the CRA performance of banks in the AA and the community needs.

### **Loan-to-Deposit Ratio**

First Independence's average loan-to-deposit ratio is less than reasonable. The bank's average loan-to-deposit ratio since the prior CRA evaluation is 43.8 percent. This represents a low ratio based on the AA needs and the performance of peer banks. The average loan-to-deposit ratio at the prior CRA evaluation was 51.7 percent. This evaluation disclosed that there are opportunities for the bank to increase its lending activity. We identified two community banks with similar AAs as First Independence. Recent CRA Performance Evaluations of these two banks disclosed an average loan-to-deposit ratio of 41 percent and 60 percent. It should be noted the bank that had the 41 percent loan-to-deposit ratio received a CRA rating of "needs to improve."

First Independence's low average loan-to-deposit ratio is partly due to a sizeable level of volatile funds that can't be relied on for long-term lending. These funds are comprised of large deposits by various entities that are typically held by the bank for a short period of time. At September 30, 2003 these funds represented approximately 21 percent of the bank's total deposits. Regardless, even when taking into consideration the volatile deposits, First Independence's loan to deposit ratio is considered low. Management has taken steps to increase its lending activity by offering a wider range of loan products. The bank began offering residential mortgage loans in 2003 and participating in a local loan program directed at low-income individuals and families. For the quarter ended September 30, 2003, the bank's loan-to-deposit ratio had increased to 50.7 percent.

### **Lending in Assessment Area**

First Independence’s record of lending within its AA is considered satisfactory. A majority of the bank’s loans are made within its AA (See Table 3). A sample of 57 loans disclosed 77.2 percent of the number of loans and 58.5 percent of the dollar amount of loans were made in the bank’s AA. The loan sample disclosed that First Independence has a good record of making home improvement/home equity loans in the AA and an adequate level of making commercial loans in its AA.

Loan Product	Loans in Sample		Loans In AA		Loans Outside AA	
	#	\$	#	%	#	%
Home Improvement /Home Equity	27	\$1,147,131	24	88.9%	3	11.1%
					\$ 345,027	30.1%
Business/Commercial	30	\$10,018,656	20	66.7%	10	33.3%
					\$4,285,709	42.8%
<b>Total</b>	57	\$11,165,787	44	77.2%	13	22.8%
					\$4,630,736	41.5%

Data Source for Origination Data: Bank loan files.

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

First Independence has demonstrated a good record of extending credit to borrowers of different income levels and businesses of different sizes. A loan sample of home improvement/home equity loans from within the AA disclosed a good record of lending to low- and moderate-income borrowers (See Table 4). Based on a loan sample 37.5 percent of home improvement/home equity loans were to low-income borrowers and 16.7 percent were to moderate-income borrowers. This is comparable to the demographic information, which disclosed 46.4 percent of the families in the AA are low income and 18.3 percent are moderate income. The bank’s performance represents a good record of lending to low- and moderate-income borrowers when comparing it to the demographic information.

A sample of 20 commercial loans in the bank’s AA disclosed 80.0 percent of the loans were to businesses with revenues of one million or less. This represents a good record of lending to small businesses because it is comparable to the demographic information. Based on the 1990 U.S. Census 85 percent of the businesses in the AA had revenues of \$1 million or less.

# and \$ of Loans in Sample that were made within the assessment area and included current income information.	Loans to Low Income Borrowers		Loans to Moderate Income Borrowers		Loans to Middle Income Borrowers		Loans to Upper Income Borrowers	
	#	%	#	%	#	%	#	%
	\$	%	\$	%	\$	%	\$	%
24 \$802,104	9	37.5%	4	16.7%	5	20.8%	6	25.0%
	\$173,614	21.7%	\$104,384	13.0%	\$181,549	22.6%	\$342,557	42.7%
<b>Demographic Data of the AA –Families by Income Category</b>								
	117,925	46.3%	46,532	18.3%	44,364	17.4%	45,937	18.0%

Data Source for Origination Data: Bank loan files.

Data Source for Demographic Data: 1990 U.S. Census Data

### Geographic Distribution of Loans

First Independence’s geographic distribution of loans reflects a reasonable dispersion throughout the AA. The bank’s record of lending in low- and moderate-income census tracts was found to be reasonable. Based on the home improvement/home equity loan sample 37.5 percent of the loans were made in low-income census tracts and 16.7 percent were made in moderate-income census tracts (See Table 5). This is comparable with the percentage of owner-occupied housing units by income level of geography. The percentage of owner-occupied housing units in low-income census tracts based on the 1990 census information was 38.4 percent and 36.4 percent for moderate-income tracts.

The sample of business loans also disclosed a reasonable level of lending in low- and moderate-income census tracts. Based on the business loan sample 35.0 percent of the loans were made in low-income tracts and 30.0 percent were made in moderate-income census tracts (See Table 5). The percentage of businesses by income level of geography based on the demographic information was 41.0 percent in low-income census tracts and 31.7 percent in moderate-income census tracts.

# Loans in Sample that were made within the Assessment Area	Low Income Census Tract		Moderate Income Census Tract		Middle Income Census Tract		Upper Income Census tract	
	#	%	#	%	#	%	#	%
24 Home Improvement /Home Equity	9	37.5%	4	16.7%	5	20.8%	6	25.0%
20 Business /Commercial	7	35.0%	6	30.0%	7	35.0%	0	0.0%

Loans								
<b>Total</b>	16	36.4%	10	22.7%	12	27.3%	6	13.6%

Data Source for Demographic Data: 1990 U.S. Census Data  
Data Source for Origination Data: Bank loan files.

### **Qualified Investments, CD loans and CD Services**

The bank was active in making qualifying investments, CD loans, and providing CD services over the evaluation period. These factors had a positive impact on the bank’s CRA rating.

The bank made donations to various organizations involved in affordable housing and social services to low- and moderate-income individuals and families over the evaluation period. These donations were made to approximately fifteen different organizations and totaled \$49,785. The annual qualifying donations ranged from \$9,000 per year to over \$17,000.

The bank has been involved in offering deposit products directed at low-and moderate-income individuals and families. This includes a deposit program under the United Way Community Services IDA Initiative Program. This program helps low-income individuals and families achieve self-sufficiency. This program matches a portion of the customer’s deposits. First Independence does not require any minimum deposit balance and waives the monthly service charge. The bank has provided this service to twelve customers. The bank is also involved in another local deposit program that helps unmarried mothers obtain housing. First Independence does not require a minimum deposit and waives the monthly fee. The bank provided this program to 19 customers during the evaluation period.

First Independence made five CD loans for \$315,778 over the evaluation period. These loans were directed at organizations that provide affordable housing and social services to low- and moderate-income individuals and families. In addition, the bank reported 22 multi-family loans with a loan balance of \$6.4 million at September 30, 2003. The commercial loan sample disclosed some of these loans have CD characteristics because they have the purpose of providing affordable housing.

First Independence is participating in a local program that provides low-income Detroit residents with small loans in the range of \$500 to \$4,000. The goal of this program is to provide individuals and families a chance to stay out of poverty and off welfare by providing small low-interest loans. The loan purposes include help with purchase of car, special childcare, tuition, or housing costs. These loans are provided to people that would not typically qualify under traditional lending standards. The bank has granted 17 loans under this program for \$49,127 during the first ten months of 2003.

### **Responses to Complaints**

The bank received one CRA related complaint over the evaluation period. Management provided a satisfactory response to the complaint.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.