

# **PUBLIC DISCLOSURE**

August 18, 2008

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Portage Community Bank  
RSSD: 2668598

1311 East Main Street  
Ravenna, OH 44266

Federal Reserve Bank of Cleveland  
P.O. Box 6387  
Cleveland, OH 44101-1387

**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.

## TABLE OF CONTENTS

Institution's CRA Rating .....	1
Scope of Examination .....	2
Description of Institution .....	3
Description of Assessment Area .....	4
Conclusions with Respect to Performance Criteria .....	9
Appendix A: CRA Tables .....	16
Appendix B: Glossary .....	17
Appendix C: Assessment Area Map .....	21

**INSTITUTION'S CRA RATING:** This institution is rated **Outstanding**.

- The loan-to-deposit ratio is reasonable, given the institution's size, financial condition, and assessment area credit needs;
- The majority of loans and other lending-related activities are in the assessment area;
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas;
- The distribution of loans to borrowers reflects a more than reasonable penetration among individuals of different income levels (including low- and moderate-income);
- The distribution of loans to businesses reflects a reasonable penetration among businesses of different sizes given the demographics of the assessment areas; and,
- There were no CRA-related complaints filed against the bank since the previous CRA examination;
- The investment record enhances credit availability in the assessment area and;
- The record of providing community development services within the community also contributed to the bank's overall rating.

The previous CRA evaluation rating dated July 28, 2003 was Outstanding.

## SCOPE OF EXAMINATION

The evaluation of the CRA performance for The Portage Community Bank (Portage) covered the period from January 1, 2006 through December 31, 2007. Because Portage had assets less than \$250 million as of December 31, 2007, this evaluation was performed using the Interagency Small Bank Examination Procedures. Under this examination method, the bank was evaluated by considering lending activity throughout its assessment area.

The lending test includes an analysis of:

- The loan-to-deposit ratio;
- The volume of loans extended inside and outside the bank's assessment area;
- The geographic distribution of loans in the assessment area, including low and moderate-income census tracts;
- The extent of lending to borrowers of different income levels, including low and moderate-income borrowers, and businesses of different sizes, including small business; and,
- The bank's record of taking action in response to written complaints about its performance in helping to meet the credit needs in its assessment areas.

The lending products reviewed for this evaluation included commercial loans, Home Mortgage Disclosure Act-related (HMDA) loans, home equity loans, motor vehicle loans, and other secured consumer loans. Commercial loans consisted of small business and small business loans secured by real estate. HMDA loans included home purchase and refinance loans.

During the lending period, Portage originated 267 commercial loans (\$53.9 million), 178 HMDA loans (\$20.7 million), 135 home equity loans (\$7.8 million), 179 motor vehicle loans (\$4.5 million), and 135 other secured consumer loans (\$2.3 million) in its assessment area. As a result, commercial loans received the greatest weight by volume and dollar amount during the assessment period. HMDA loans received the next greatest weight by volume and dollar amount followed by home equity and motor vehicle loans. Other secured consumer loans received the least amount of weight.

There are no low-income tracts and only four moderate income tracts located within the entire assessment area. Therefore, less weight is placed on the geographic distribution of loans with more emphasis on borrower distribution.

## DESCRIPTION OF INSTITUTION

Portage is a full-service retail bank and the sole subsidiary of Portage Bancshares, Inc. both of which are headquartered in Ravenna, Ohio. The bank's main office in Ravenna operates a full-service ATM. Portage opened a branch office with a full-service ATM in July 2006. This new branch office is located at 1530 S. Water Street in Kent, Ohio. The bank does not operate any other full-service or cash-only ATMs. Both branches are located in middle-income tracts.

As of June 30, 2008, Portage reported total assets of \$195.7 million. Loans represent 85.7% of total assets with investments in U.S. government securities and other securities representing most of the remaining assets. Of the \$167.7 million in loans, 44.6% are commercial purpose loans, 45.5% are secured by 1-4 family dwellings, and 2.8% are consumer loans.

There are no legal or financial constraints preventing Portage from meeting the credit needs of its assessment area consistent with its asset size, business strategy, resources, and local economy.

---

## DESCRIPTION OF AKRON METROPOLITAN ASSESSMENT AREA (10420)

The bank's assessment area is located in the Akron Metropolitan Statistical Area (MSA) within the State of Ohio. The MSA consists of Portage and Summit counties. However, Portage's footprint is comprised of the totality of Portage County. The bank's assessment area is comprised of no low-income, 4 (11.4%) moderate-income, 28 (80.0%) middle-income, and 3 (8.6%) upper-income tracts for a total of 35 tracts.

### **Population**

The 2000 U.S. Census report indicated that the total population of Portage County was 152,061. The Ohio Department of Development <sup>1</sup> reported that the estimated population of this assessment area rose to 155,012 as of 2006. This reflects a population increase of 1.9% since 2000. Data from the 2000 U.S. Census report stated that individuals ages 25 to 64 represented 51.0% of the population. Individuals ages 17 and younger comprised 23.8% of the population. Individuals ages 65 and over and 18 to 24 accounted for 11.0% and 14.3%, respectively, of the population.

The largest city in Portage County is Kent with an estimated population in 2006 of 27,946, followed by Aurora City with an estimated population of 14,402.

According to the 2000 Census report, there were 56,415 households within the bank's entire assessment area. Of all households, 20.7% were low-income, 16.9% were moderate-income, 20.4% were middle-income, 42.0% were upper-income, and 9.9% of all households lived below poverty level.

Of the 56,415 households in this assessment area, 39,413 were designated as families, of which 17.3% were low-income, 18.7% were moderate-income, 25.0% were middle-income, 39.0% were upper-income, and 5.9% of all families lived below poverty level.

### **Housing**

According to the 2000 U.S. Census report, there were 60,096 housing units in the bank's assessment area. The majority (66.9%) of these units were owner-occupied, while 27.0% represented rental units. Vacant units accounted for 6.1% of all housing units. One unit properties made up 68.1% of all housing units. Two-to-four unit properties accounted for 9.0% of all housing units. Mobile homes comprised 9.2% and multi-family units stood at 13.7% of all housing units in this assessment area.

According to the 2000 Census Bureau data, the median housing value for Portage County was \$118,300, which is slightly above Ohio's median of \$100,500. The majority (19.7%) of the housing units were built during 1970 to 1979, with a median year built of 1970.

---

<sup>1</sup> [www.odod.state.oh.us](http://www.odod.state.oh.us)

According to the Ohio Department of Development, the median gross rent for the area was \$544. The affordability ratio for the entire assessment area stood at 36%. These factors indicate the low cost of living within the assessment area.

For the years 1990-2000, Portage County has experienced a 14.9% increase in the number of housing units, which ranks 24<sup>th</sup> in the state. For the years 2000-2007, it is estimated that the county's housing units have increased by 8.4%, which would rank the county 18<sup>th</sup> in the state.

This data further revealed that 11.4% of the area's housing units were in moderate-income tracts, 77.2% were in middle-income tracts, and 11.4% were in upper-income census tracts. The majority (49.1%) of the housing units located in the moderate-income tracts are rental units, while 41.2% are owner-occupied units and 9.7% are vacant. Further, the percentage of owner-occupied units for the middle- and upper-income tracts are 69.2% and 77.8%, respectively. As a result, the majority of Portage's HMDA and home equity lending would be expected in middle and upper income census tracts.

The following table provides the demographic characteristics of this assessment area:

## Combined Demographics Report

Portage Community Bank

Analysis Year: 2006 & 2007

Assessment Area(s): MSA 10420

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	6,811	17.3
Moderate-income	4	11.4	3,413	8.7	494	14.5	7,355	18.7
Middle-income	28	80.0	30,963	78.6	1,693	5.5	9,862	25.0
Upper-income	3	8.6	5,037	12.8	132	2.6	15,385	39.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>35</b>	<b>100.0</b>	<b>39,413</b>	<b>100.0</b>	<b>2,319</b>	<b>5.9</b>	<b>39,413</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Types by Tract</b>						
		<b>Owner-Occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	6,867	2,831	7.0	41.2	3,370	49.1	666	9.7
Middle-income	46,395	32,080	79.8	69.1	11,717	25.3	2,598	5.6
Upper-income	6,834	5,314	13.2	77.8	1,137	16.6	383	5.6
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>60,096</b>	<b>40,225</b>	<b>100.0</b>	<b>66.9</b>	<b>16,224</b>	<b>27.0</b>	<b>3,647</b>	<b>6.1</b>
	<b>Total Businesses by Tract</b>	<b>Businesses by Tract &amp; Revenue Size</b>						
		<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>		
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	310	6.5	279	6.6	23	5.5	8	6.7
Middle-income	3,710	78.2	3,286	78.2	332	78.9	92	76.7
Upper-income	722	15.2	636	15.1	66	15.7	20	16.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>4,742</b>	<b>100.0</b>	<b>4,201</b>	<b>100.0</b>	<b>421</b>	<b>100.0</b>	<b>120</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			<b>88.6</b>		<b>8.9</b>		<b>2.5</b>

## **Economics**

The Bureau of Labor Statistics<sup>2</sup> reports the preliminary unemployment rate for the state of Ohio as of July 2008 as 7.2% compared to the national unemployment rate of 5.7%. This is the state's highest unemployment rate since December 1992. According to the Ohio Department of Job and Family Services,<sup>3</sup> Portage County ranked 61<sup>st</sup> in the state with a 5.4% unemployment rate for the year 2007.

Of the 4,742 businesses located within in the assessment area, 88.6% (4,201) have revenues less than or equal to \$1 million, 8.9% (421) are over \$1 million, and 2.5% (120) have not reported their earnings. Further, 310 (6.5%) of the businesses are located in the moderate-income tracts, 3,710 (78.2%) are within the middle-income tracts, and 722 (15.2%) are located within the upper-income tracts.

The Ohio Workforce Informer<sup>4</sup> states that major employers for Portage County include Robinson Memorial Hospital, Ravenna City Board of Education, McMaster Carr Supply Co., General Electric Company, Kent City Board of Education, Kent State University, State of Ohio, East Manufacturing Corp., and Step2 Company.

There are several major training providers that are located in Portage County. These providers include: Bohecker College (Ravenna, OH), Hiram College (Hiram, OH), Kent State University (Kent, OH), Northeastern Ohio Universities – Colleges of Medicine and Pharmacy (Rootstown, OH), and Northcoast Medical Training Academy (Kent, OH). Of the individuals twenty-five years or older, 39.9% have a high school diploma while 14% hold a Bachelor's degree.

## **Community Contacts**

Two community contacts were conducted during the examinations. Both of the contacts were located in Portage County.

The contacts reinforced the assertion that the decrease in manufacturing jobs has contributed to the weakened economy for the county. According to the contact from an agency promoting affordable housing, updated housing for the cities of Ravenna and Windham is a priority due to the aging housing stock in the moderate-income neighborhoods. Further, there is a need for banks to develop products intended for low- and moderate-income individuals. This contact stated that these individuals do not have the resources necessary for traditional banking products because account stipulations and fees require a more substantial portion of their incomes. There is also a need for banks to develop products for the non-traditional business owner. Another opportunity for banks is to provide operational capital after the initial funding to these businesses.

---

2 <http://www.bls.gov/>

3 [www.lmi.state.oh.us](http://www.lmi.state.oh.us)

4 <http://www.ohioworkforceinformer.org/?PAGEID=67&SUBID=122>

### **Competition**

There is significant competition among financial institutions, in this assessment area. There are 17 FDIC-insured<sup>5</sup> financial institutions in Portage County. Portage ranks third among these institutions, holding 9.6% of the market share of deposits. Huntington National Bank ranks first with 23.7% of the market share, followed by JP Morgan Chase Bank NA with a 12.9% share. Huntington also operates the most offices within the county with nine.

---

<sup>5</sup> <http://www.fdic.gov>

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

A financial institution's loan-to-deposit ratio compares the institution's outstanding aggregate loan balances to its total outstanding deposits. This ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the number of quarters.

Portage's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of its assessment area. The bank has averaged a 97.7% loan-to-deposit ratio over the past 21 quarters of operation, and is above the peer group average ratio of approximately 83.5%.<sup>6</sup>

The following table shows Portage's quarterly loan-to-deposit ratios for 21 quarters, since the previous evaluation, along with the average loan-to-deposit for the same period.

<b>Loan-to Deposit Ratios</b>			
<b>As of Date</b>	<b>Net Loans (000s)</b>	<b>Total Deposits (000s)</b>	<b>Ratio</b>
June 30, 2008	165,674	164,331	100.8%
March 31, 2008	160,640	155,568	103.3%
December 31, 2007	152,448	153,277	99.5%
September 30, 2007	144,770	150,720	96.1%
June 30, 2007	141,861	146,214	97.0%
March 31, 2007	137,359	146,037	94.1%
December 31, 2006	136,845	149,164	91.7%
September 30, 2006	135,028	144,855	93.2%
June 30, 2006	133,701	144,630	92.4%
March 31, 2006	128,985	133,043	96.9%
December 31, 2005	123,846	125,046	99.0%
September 30, 2005	118,775	121,571	97.7%
June 30, 2005	113,159	120,289	94.1%
March 31, 2005	111,102	118,733	93.6%
December 31, 2004	106,094	109,159	97.2%
September 30, 2004	103,651	103,719	99.9%
June 30, 2004	100,338	102,870	97.5%
March 31, 2004	97,683	94,394	103.5%
December 31, 2003	91,788	89,350	102.7%
September 30, 2003	88,886	87,324	101.8%
June 30, 2003	85,367	85,500	99.8%
<b>Quarterly Loan-to-Deposit Ratio Average since the previous examination</b>			<b>97.7%</b>

<sup>6</sup> Portage's national peer group consists of all commercial banks having assets between \$100 and \$300 million in a metro area with two or fewer full service offices.

### **Lending in the Assessment Area**

The bank's commercial loans, HMDA loans, home equity loans, motor vehicle loans, and other secured consumer loans were analyzed to determine the volume of lending inside and outside of the bank's assessment areas. A majority (81.4% by number and 80.1% by dollar amount) of the bank's loans were made inside of its assessment areas.

The table below depicts Portage's volume of loans extended inside and outside of its assessment areas between January 1, 2006 and December 31, 2007.

<b>Lending Inside and Outside the Assessment Area</b>								
<b>Loan Type</b>	<b>Inside the Assessment Area</b>				<b>Outside the Assessment Area</b>			
	<b># of Loans</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>	<b># of Loans</b>	<b>%</b>	<b>\$ (000s)</b>	<b>%</b>
HMDA	178	80.9	20,664	74.5	42	19.1	7,079	25.5
Small Business	267	80.9	53,943	82.6	63	19.1	11,375	17.4
Consumer	449	81.9	14,694	79.5	99	18.1	3,794	20.5
<b>Total</b>	<b>894</b>	<b>81.4</b>	<b>89,301</b>	<b>80.1</b>	<b>204</b>	<b>18.6</b>	<b>22,248</b>	<b>19.9</b>

### **Geographic Distribution of Lending**

The geographic distribution of loans among various census tracts within the bank's assessment areas was evaluated using data from the 2000 Census report. Commercial lending was evaluated by comparing the bank's lending to businesses located within each income tract category (moderate-, middle-, and upper-) to the percentage of businesses located within those respective tracts. HMDA loans were analyzed by comparing the bank's lending to the owner occupancy rate within the different income tracts. Further, the home equity, motor vehicle, and other secured products were analyzed by comparing the bank's lending to the percentage of households located within each income tract. Because there are only four moderate-income tracts within the bank's assessment area, the geographic distribution of lending is given less weight in the overall assessment of Portage's CRA performance.

There were two tracts where no loans were made during the assessment period. One of the tracts is designated as moderate-income and is located in the Kent area. This tract has a population of 6,817 with only 127 families. Further, there is no owner-occupied housing and 90.7% of the 1,027 housing units located in this tract are rental units. This tract is near Kent State University with an approximate student population of 34,000. These factors demonstrate a limited lending opportunity for the bank in this tract. The second tract in which there was no lending is an upper-income tract. This tract is located in the northwest corner of the county. It is bordered by Summit, Cuyahoga, and Geauga counties, which are outside of the bank's market area and are extremely competitive.

Based on demographic characteristics unique to this assessment area and performance details of all reviewed lending products, Portage's geographic distribution of lending reflects a reasonable dispersion of loans throughout this assessment area. Further, the bank has demonstrated reasonable penetration lending within its assessment area.

### ***Commercial Loans***

Portage originated 267 commercial loans totaling approximately \$53.9 million in this assessment area during this evaluation period. There were 17 loans (6.4%) originated in the moderate-income tracts, compared with 6.5% of businesses located here. This represents a limited opportunity for lending; however, the bank's lending is good. Lending in middle-income census tracts accounted for 83.9% of the bank's lending in this product line, which was above the 78.2% of businesses located in middle-income census tracts. The bank made 9.7% of its commercial loans in upper-income census tracts, which was below the total of 15.2% of businesses in upper-income geographies.

### ***HMDA Loans***

Portage originated 178 HMDA-related loans totaling approximately \$20.7 million in this assessment area. Of these loans, 10.7% were made within the moderate-income tracts, exceeding the total of 7.0% of owner-occupied units in moderate-income census tracts. This reflects an excellent level of HMDA lending among these geographies. Lending in middle-income census tracts accounted for 86.5% of the bank's HMDA lending, which was above the total of 79.8% of owner-occupied units in middle-income census tracts. The bank made 2.8% of its HMDA loans in upper-income census tracts, which was below the 13.2% of owner-occupied units located in these geographies.

### ***Home Equity Loans***

Portage originated 135 loans, totaling approximately \$7.8 million. Of the \$7.8 million, 6.7% were made in the moderate-income tracts, while 10.8% of households are located in the moderate-income census tracts, representing adequate lending. Lending in middle-income census tracts accounted for 88.9% of the bank's lending, which was above the total of 77.7% of households in middle-income census tracts. The bank made 4.4% of its home equity loans in upper-income census tracts, which was below the total of 11.5% of households in upper-income geographies.

### ***Motor Vehicle Loans***

Portage originated 179 motor vehicle loans, totaling approximately \$4.5 million in this assessment area during this evaluation period. Of these loans, 6.1% were made in the moderate-income tracts, which was below the 10.8% of households located in these tracts indicating adequate lending. Lending in middle-income census tracts accounted for 92.2% of the bank's lending in this product line, which was above the total of 77.7% of households in middle-income census tracts. The bank made 1.7% of its motor vehicle loans in upper-income census tracts, which was below the total of 11.5% of households in upper-income geographies.

### ***Other Secured Consumer Loans***

Portage originated 135 other secured consumer-related loans totaling approximately \$2.3 million in this assessment area. Of the 135 loans, 9.6% were made within the moderate income tracts; comparing with the total of 10.8% of household units in moderate-income census tracts. Lending in the moderate-income tracts is therefore considered good. Lending in middle-income census tracts accounted for 87.4% of the bank's HMDA lending, which was above the total of 77.7% of households in middle-income census tracts. The bank made 3.0% of its other secured consumer loans in upper-income census tracts, which was below the 11.5% of households located in these geographies.

### **Lending to Borrowers of Different Income Levels**

The distribution of loans to borrowers of different income levels was based upon annually adjusted median family income data made available by the U.S. Department of Housing and Urban Development. The bank's borrower income distribution with respect to commercial loans was assessed by comparing the percentage of loans made to businesses in each revenue category (less than or equal to \$1 million or greater than \$1 million) to the percentage of total businesses in each revenue category. For HMDA-related loans, the borrower income distribution was assessed by comparing the percentage of loans made to borrowers in each income category to the percentage of families in each income category. For home equity, motor vehicle, and other secured consumer loans, the analysis was completed by comparing the percentage of loans made to borrowers in each income category to the percentage of households in each income category.

Although poverty level is determined by income and family size, a larger proportion of poverty level families are found in the low-income category and, to some extent, in the moderate-income category. Further, poverty levels can impact middle- and upper-income families as well, but not as significantly as low- and moderate-income families. It is difficult for borrowers at the poverty level to qualify for loans because their income is so limited. Poverty level is a factor in the performance context, and taken into consideration in the conclusions regarding the bank's performance. These figures were taken into consideration during the borrower distribution analysis include 9.9% of the assessment area's households below poverty level and 5.9% of families below poverty level.

Portage has demonstrated a reasonable distribution of lending to businesses of different revenue

sizes and a more than reasonable penetration of lending to borrowers of different income levels.

### ***Lending to Businesses of Different Sizes***

Portage originated 267 commercial loans, totaling approximately \$53.9 million. Businesses with annual revenues of \$1 million or less accounted for 88.6% of all businesses. The bank originated 59.9% of commercial loans to businesses with annual revenues of \$1 million or less. In addition, 24.0% were for loan amounts ranging from \$100,001 to \$250,000 and 11.7% were for loan amounts under \$100,000. The commercial lending to businesses with annual revenues of \$1 million or less is adequate.

### ***HMDA Loans***

Of the 178 HMDA related loans originated, 10.1% were made to low-income borrowers. This was below the total of 17.3% of low-income families located in the assessment area. Taking into consideration the poverty level for families, the bank's lending to low-income individuals is adequate. Another 22.5% of these loans were made to moderate-income borrowers. This was above the total of 18.7% of moderate-income families in the assessment area. As such, the bank's lending to moderate-income borrowers is considered excellent. Loans to middle-income borrowers represented 27.5% of the bank's mortgage lending, just above the total of 25.0% of middle-income families. The bank made 39.9% of its mortgage loans to upper-income borrowers, which is in line with the total of 39.0% of upper-income families in this assessment area.

### ***Home Equity Loans***

Of the 135 home equity loans, 6.7% were made to low-income borrowers, below the 20.7% of low-income households located in this assessment area; therefore, the bank's lending to low-income borrowers is poor. Of these loans, 20.7% were made to moderate-income borrowers. This exceeded the total of 16.9% of moderate-income households. The bank's home equity lending to moderate-income borrowers is excellent. Loans to middle-income borrowers represented 32.6% of the bank's home equity lending, which was above the total of 20.4% of middle-income households. The bank made 32.6% of its home equity loans to upper-income borrowers, which was below the total of 42.0% of upper-income households.

### ***Motor Vehicle Loans***

Of the 179 motor vehicle loans originated, 29.1% were made to low-income borrowers. This was well above the total of 20.7% of low-income households located in the assessment area. Thus, the bank's lending to low-income households is considered excellent. The bank participates in *Ways to Work*, which is a non-profit program that facilitates small loans to low-income families to pay for vehicles which enables parents to work or stay in school. This program has contributed to the excellent level of motor vehicle lending to low-income borrowers.

The bank made 16.2% of the motor vehicle loans to moderate-income borrowers. In the assessment area, 16.9% of the households are moderate income; therefore, motor vehicle lending

is good. Loans to middle-and upper-income borrowers were 19.0% and 26.8% of motor vehicle lending for the period. The middle- and upper-income households represent 20.4% and 42% of the assessment area's households.

### ***Other Secured Consumer Loans***

Of the 135 other secured consumer loans originated, 16.3% were made to low-income borrowers. This was below the proxy of 20.7% low-income households located in the assessment area. The bank's lending to low-income households is good. The bank lent 25.2% of the other secured consumer loans to moderate-income households. In the assessment area, 16.9% of the households are moderate income; therefore, lending to moderate-income borrowers is excellent. Loans to middle- and upper-income borrowers were 23.0% and 23.7% of other secured consumer lending for the period. The middle- and upper-income households represent 20.4% and 42% of the assessment area's households.

### **Consideration of Qualified Investments and Services Recognized under CRA**

The criteria for consideration of an overall outstanding CRA rating regarding the evaluation of qualified investments and services are:

- A bank's level and use of qualified investments to enhance performance; and
- A bank's record of providing services and delivery systems to enhance credit availability or community development.

### ***Qualified Investments***

Portage has made several qualified community development investments since the previous evaluation totaling \$150,940. These investments included the following organizations:

- Habitat for Humanity
- Center of Hope and Kent Social Services – Charity which provides services to low- and moderate-income individuals
- Neighborhood Development Services, Inc. – provides mortgage funding for those low- and moderate-income individuals to purchase a home who would not normally qualify for the loan terms

### ***Services***

Portage has established good working relationships with government and private sector representatives to help identify opportunities for the bank to address community development needs.

Some of the bank's community development services include:

- Service on the Portage Private Industry Council's board. This organization administers education programs for Headstart and other learning initiatives for low-moderate income families and children.
- The bank participated in the Homeownership and Self-Sufficiency Fair, which was presented by the Portage Metropolitan Housing Authority. The fair provided counseling for low- and moderate-income individuals and helped in developing self sufficiency and creating a better understanding for home ownership.
- Board service for the Downtown Kent Main Street organization that provides economic development.
- Participation with the Kent Regional Development Board that assists small businesses to obtain loans and funding.
- Several employees serve on the board for the local United Way that provides several services to low- and moderate-income individuals.
- Once a week the bank provides banking services for individuals at the Tower 43 Retirement Center. Tower 43 is HUD subsidized for low- and moderate- income retirees.

### **Response to Consumer Complaints**

No CRA-related complaints were filed against Portage during this evaluation period.

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

No evidence of discriminatory or other illegal credit practices, inconsistent with helping meet the credit needs of the community, was noted during this evaluation.

## APPENDIX A

### CRA TABLES

Borrower Distribution of HMDA Loans Assessment Area/Group: MSA 10420										
	Total HMDA Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	#	% of Total	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans	% of Families	% Bank Loans
Home Purchase	116	65.2	17.3	12.9	18.7	24.1	25.0	25.0	39.0	37.9
Refinance	62	34.8	17.3	4.8	18.7	19.4	25.0	32.3	39.0	43.5

Geographic Distribution of HMDA Loans Assessment Area/Group: MSA 10420									
	Total HMDA Loans		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	% of Owner Occ Units	% Bank Loans	
Home Purchase	116	65.2	7.0	9.5	79.8	87.9	13.2	2.6	
Refinance	62	34.8	7.0	12.9	79.8	83.9	13.2	3.2	

Geographic Distribution of Consumer Loans Assessment Area/Group: MSA 10420									
	Total Consumer Loans		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	% of Hhlds	% Bank Loans	
Home Equity	135	30.1	10.8	6.7	77.7	88.9	11.5	4.4	
Motor Vehicle	179	39.9	10.8	6.1	77.7	92.2	11.5	1.7	
Other - Secured	135	30.1	10.8	9.6	77.7	87.4	11.5	3.0	

Borrower Distribution of Small Loans to Businesses Assessment Area/Group: MSA 10420							
	Total Loans		Businesses with Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size		
	#	% of Total	% of Businesses	% Bank Loans	\$100,000 or Less	>\$100,001 to \$250,000	>\$250,001 to \$1,000,000
Small Business	195	73.0	88.6	60.5	51.8	24.6	19.5
Small Bus secured by RE	72	27.0	88.6	58.3	56.9	34.7	8.3

Geographic Distribution of Small Loans to Businesses Assessment Area/Group: MSA 10420									
	Total Loans		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		
	#	% of Total	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	% of Businesses	% Bank Loans	
Small Business	195	73.0	6.5	6.2	78.2	83.6	15.2	10.3	
Small Bus secured by RE	72	27.0	6.5	6.9	78.2	84.7	15.2	8.3	

## APPENDIX B

### GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. 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 the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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, home equity 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 (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 do 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**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 (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

**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 metropolitan area/assessment area.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

**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.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Rated area:** A rated area is a state or multistate metropolitan 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan 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) and the Thrift Financial Reporting (TFR) 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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.

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

# APPENDIX C

## ASSESSMENT AREA MAP

Portage Community Bank  
Assessment Area: MSA 10420

