



## **PUBLIC DISCLOSURE**

January 2, 2018

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

New Buffalo Savings Bank, A FSB  
Charter Number 706624

45 N Whittaker Street  
New Buffalo, MI 59117-1135

Office of the Comptroller of the Currency

2001 Butterfield Road, Suite 400  
Downers Grove, IL 60615

**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: This institution is rated Outstanding.**

### **The Lending Test is rated: Outstanding**

- The average quarterly loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition and assessment area (AA) credit needs.
- A majority of loans were originated inside the bank's AA.
- Overall borrower distribution in the bank's AA is excellent.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout 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. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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 MA/assessment area.

**Census Tract (CT):** 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 areas. Census tracts generally have a population between 1,200 and 8,000 people, with an optimal size of 4,000 people. 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:** 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; activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas; or loans, investments, and services that support, enable or facilitate projects or activities under HUD Neighborhood Stabilization Program criteria that benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or outside the assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

**Community Reinvestment Act (CRA):** the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, 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, 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 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), loan pricing, the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

**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 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 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 MA/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. 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 it and half below it.

**Metropolitan Area (MA):** Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget, and any other area designated as such by the appropriate federal financial supervisory agency.

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

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

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

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

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

**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 multi-state 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 multi-state metropolitan area, the institution will receive a rating for the multi-state 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) 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 One 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.

## Description of Institution

New Buffalo Savings Bank (NBSB or the bank) is a full service intrastate savings bank located in the community of New Buffalo, MI. NBSB is wholly owned by New Bancorp, a one bank holding company formed in June 2015 in conjunction with the bank's mutual to stock conversion.

As of September 30, 2017, NBSB reported \$126.2 million in total assets. The loan portfolio of \$95 million represents 75 percent of total assets and is composed of \$49 million (51 percent) in commercial loans and \$36 million (48 percent) in residential mortgage loans, with consumer and other loans making up the remaining one percent. There has been no merger or acquisition activity during the evaluation period, and the bank has no other affiliate relationships.

The bank has one defined AA consisting of six census tracts located in Berrien County, MI, which is part of the Niles/Benton Harbor MSA. In addition to the main bank location at 45 N Whittaker Street in New Buffalo, MI, the bank operates two branch locations in the neighboring communities of Three Oaks and Sawyer, MI. Automated Teller Machines (ATMs) are located at each branch and at 18808 Harbor Country Drive in New Buffalo, MI.

As of June 30, 2017, the bank ranked seventh among eleven financial institutions operating in Berrien County, holding 4.7 percent of the market share per the FDIC Market Share report. Those financial institutions holding the largest share of deposits include Chemical Bank, Fifth Third Bank, JP Morgan Chase Bank, NA, and Horizon Bank, which collectively hold 77.2 percent of the deposit market share.

Mortgage products offered by the bank include fixed rate mortgages, which are generally sold to Freddie Mac, Annie Mac, the Federal Home Loan Bank, or Flagstar Bank, as well as 5/1, 7/1 and 10/1 year adjustable rate mortgage (ARM) loans held in-house. Due to limited opportunities to originate residential mortgage loans and large commercial loans within the local market, the bank opened two loan production offices (LPOs) in Lake County, IN in March 2014 and in Oakland County, MI in June 2016. The LPO in Lake County, IN, which primarily solicited residential mortgage loans, was closed in April 2017 when the mortgage loan officer (MLO) for that office left the bank. The LPO in Oakland County, which primarily solicits commercial loan activity, remains open and has generated several large dollar commercial loans outside the bank's AA. The bank's strategy is to increase commercial lending through the Oakland County, MI LPO, in addition to increasing residential mortgage loans by hiring additional MLOs. Per 2016 Dunn and Bradstreet statistics, approximately 84 percent of the businesses have revenues equal to or less than \$1 million within the bank's AA, providing limited opportunities for large dollar commercial lending.

Demographic data from 2010 shows the AA includes no low- or moderate-income census tracts, five middle-income census tracts, and one upper-income census tract. Sixteen percent of the families in the AA are low-income and 21 percent are moderate-



income. In addition, 6.9 percent of the AA families are living below the poverty level. Based on community data and statistics from the Areavibes website, the median home price in New Buffalo, MI is \$213 thousand compared to a median home price of \$120 thousand for the state of Michigan and a national median home price of \$175 thousand. The median rent of \$789 per month is comparable to the state median rental cost.

The bank's AA is largely rural. The primary industry within the AA is tourism due to various summer homes and resorts located on Lake Michigan as well as the Four Winds Casino. Per the 2010 census, the unemployment rate for the AA is 5.3 percent.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs of its AA. NBSB received an "Outstanding" rating on the prior CRA Performance Evaluation dated July 31, 2012. The two community contacts made during the examination confirmed the local economy is highly seasonal in nature, as there are numerous resorts and summer homes in the area. Employment increases during the summer months due to vacationers and college students returning to the area; however, employment begins to decline in the fall months.

## **Scope of the Evaluation**

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

This CRA Performance Evaluation covers the period from July 1, 2012 through January 2, 2018. We evaluated NBSB's CRA performance using the Small Bank Performance Evaluation procedures, which considers the bank's record of meeting the credit needs of its AA through its lending activities. Through review of new loan origination reports, we determined residential real estate loans and commercial loans are the bank's primary loan types. We used all Home Mortgage Disclosure Act (HMDA)-reportable loans for 2015 and 2016 in our analysis. For the Lending in the AA test, we sampled 44 out of 69 total commercial loans originated by the bank in years 2015 and 2016. For the Borrower Distribution test, we used 100 percent (24) of the small business loans originated by the bank within the AA. Activity for years 2015 and 2016 was selected for analysis since that time period was most reflective of the bank's current lending strategies.

### **Data Integrity**

As part of our ongoing supervision of the bank, we tested the accuracy of the bank's HMDA and commercial lending data. Our testing indicated no substantive inaccuracies in the data. Therefore, we concluded the 2015 and 2016 loan data could be relied upon for this evaluation.

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

The bank has only one AA, which received a full-scope review.

## **Rating**

The bank's overall rating is based on the AA that received a full-scope review.

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

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

## Conclusions with Respect to Performance Tests

NBSB's lending performance is rated outstanding. The average LTD ratio is more than reasonable, and a majority of the loans were originated inside the NBSB's AA. NBSB's lending reflected overall excellent borrower distribution.

### LENDING TEST

#### Loan-to-Deposit Ratio

NBSB's quarterly average LTD ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The average quarterly LTD ratio during the period from March 31, 2012 through September 30, 2017 was 91.5 percent, compared to the peer group average of 75.2 percent.

#### Lending in Assessment Area

For the combined two-year analysis period, a majority of NBSB's loan originations were inside the bank's AA. The percentage of HMDA-reportable loan originations inside the AA was 56.3 percent, and the percentage of commercial loan originations was 36.4 percent, for an aggregate percentage of lending inside the AA of 51.9 percent. Based on dollar amount, 69 percent of loan originations were outside the AA; however, this was consistent with the bank's strategy of opening LPOs in Lake County, IN to generate mortgage loans and Oakland County, MI to generate large dollar commercial loans.

Table 1 - Lending in Berrien County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Purchase	40	50.63	39	49.37	79	9,046	49.03	9,043	50.97	18,449
Residential Refinance	47	61.04	30	38.96	77	9,990	56.14	7,805	43.86	17,795
Residential HI	2	100.00	0	0.00	2	52	100.00	0	0.00	52
Total Home Mortgage	89	56.33	69	43.67	158	19,088	52.59	17,208	47.41	46,296
Commercial	16	36.36	28	63.64	44	1,671	5.34	29,602	94.66	31,273
Totals	105	51.98	97	48.02	202	20,759	30.89	46,810	69.11	67,569

Source: HMDA LAR and loan sample.

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

Overall borrower distribution in the Berrien County AA is excellent and exceeds the standards for satisfactory performance. In evaluating the bank's residential real estate

lending to low- and moderate-income borrowers, we assessed bank performance compared to the aggregate market, as well as considering available lending opportunities based on AA family demographics. In evaluating the bank's small business lending, we compared the percentage of small business loans originated in the AA to aggregate industry lending and the percentage of small businesses within the AA.

The bank's percentage of residential real estate loan originations to both low- and moderate-income borrowers exceeded the percentage of loans originated by the aggregate market. The percentage of bank residential real estate originations to low- and moderate-income borrowers was below the percentage of low- and moderate-income families in the AA; however, we considered the 6.9 percent of families living below the poverty level in assessing the bank's performance, as well as the above state and national median home prices in this area, which make home ownership difficult for low- and moderate-income individuals.

Borrower Income Level	Low		Moderate		Middle		Upper	
	2016 Aggregate Lending	% of Number of Loans	2016 Aggregate Lending	% of Number of Loans	2016 Aggregate Lending	% of Number of Loans	2016 Aggregate Lending	% of Number of Loans
Home Mortgage	4.42	5.62	8.69	8.99	13.82	15.73	68.52	66.29
Percent of AA Families		16.14		20.77		22.95		40.14

Source: 2015 and 2016 HMDA LAR, CRAWIZ aggregate lending data, U.S. Census data.

The percentage of loans originated by the bank to small businesses within the AA is greater than the percentage of aggregate industry lending to small businesses, which exceeds the standards for satisfactory performance. In addition, the bank lending is near the percentage of small businesses located within the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of Bank Loans in AA by #	83.44	16.64	0.00	100%
% of Bank Loans in AA by \$	68.14	31.86	0.00	100%
% Business in AA by #	84.02	5.96	0.00	100%
Aggregate industry % lending	46.04	53.96	0.00	100%

Source: 100% of small business loans originated by NBSB in 2015 and 2016, Dun and Bradstreet data, CRAWIZ aggregate industry data.

## **Geographic Distribution of Loans**

Analysis of the geographic distribution of loans would not be meaningful, as there are no low- or moderate-income geographies within the bank's AA.

## **Responses to Complaints**

NBSB did not receive any complaints regarding its performance in helping to meet the credit needs within its AA during this evaluation period.

## 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 metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test : (01/01/2015 to 12/31/2016)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
New Buffalo Savings Bank, A FSB New Buffalo, MI		Residential Mortgage Loans, Commercial Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
<i>Not Applicable</i>	<i>Not Applicable</i>	<i>Not Applicable</i>
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Niles-Benton Harbor, MI MSA #35660	Full Scope	Six geographies in Berrien County, MI

## Appendix B: Community Profiles for Full-Scope Areas

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### Niles/BentonHarbor MSA #35660 AA (Berrien County AA )

Demographic Information for Full-Scope Area: Berrien County AA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	6	0.00	0.00	83.33	16.67	0.00
Population by Geography	18,597	0.00	0.00	71.68	28.32	0.00
Owner-Occupied Housing by Geography	13,091	0.00	0.00	71.11	28.89	0.00
Businesses by Geography	1,427	0.00	0.00	78.00	22.00	0.00
Farms by Geography	114	0.00	0.00	80.70	19.30	0.00
Family Distribution by Income Level	5,316	16.14	20.77	22.95	40.14	0.00
Household Distribution by Income Level	7,978	18.40	18.20	18.20	45.10	0.00
Median Family Income = \$54,751 HUD Adjusted Median Family Income for 2016 = \$59,100 Households Below Poverty Level = 8.94% Families Below Poverty Level = 6.90%	Median Housing Value = \$ 211,414 Unemployment Rate = 5.32%					

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 2010 U.S. Census, and 2016 HUD updated MFI.