



**BOARD OF GOVERNORS**  
OF THE  
**FEDERAL RESERVE SYSTEM**

WASHINGTON, D.C. 20551

DIVISION OF BANKING  
SUPERVISION AND REGULATION

November 26, 2013

Rodney D. Martin  
Warner Norcross & Judd LLP  
900 Fifth Third Center  
111 Lyon Street N.W.  
Grand Rapids, Michigan 49503-2487

Dear Mr. Martin:

We refer to the application by Mercantile Bank Corporation ("Mercantile"), the parent company of Mercantile Bank of Michigan ("Mercantile Bank"), both of Grand Rapids, Michigan, for approval from the Board of Governors of the Federal Reserve System ("Board") to acquire all the voting shares of Firstbank Corporation, Alma, Michigan ("Firstbank") and thereby indirectly acquire control of Firstbank, Mount Pleasant, Michigan ("Firstbank Bank") and Keystone Community Bank, Kalamazoo, Michigan ("Keystone"), pursuant to section 3(a)(5) of the Bank Holding Company Act. Based on staff's review of the current record, the following additional information is requested. Supporting documentation, as appropriate, should be provided.

1. As previously requested, provide 'Note 2 – Purchase Price Allocation' which was referenced in item D of the balance sheet footnotes within Mercantile's application.
2. When available, provide a copy of the application to be filed with the FDIC for approval to merge Mercantile Bank with Firstbank Bank and Keystone pursuant to the Bank Merger Act.
3. In relation to the \$9.0 million of borrowings to partially fund a pre-merger special dividend, provide the following:
  - a. Current version of the loan commitment letter and the related terms and conditions for these borrowed funds.
  - b. Representation from Mercantile that it will fully retire the \$9.0 million of borrowed funds within 90 days of consummation of the merger.

4. To the extent not already indicated, provide a summary of the nature of Mercantile home mortgage lending operations, including key products, underwriting processes (e.g., centralized versus decentralized), and marketing and distribution channels.
5. In Mercantile's November 12, 2013 response ("November 12 response") to the Board's November 6, 2013, information request, Mercantile asserts that Firstbank Bank and Keystone bring a focus on meeting residential and consumer lending needs of their communities and that the consolidated entity will be able to expand its residential and consumer lending in the areas currently served by Mercantile Bank. Provide a summary of the nature of Firstbank Bank's and Keystone's home mortgage lending and consumer lending operations, including key products, underwriting processes (e.g., centralized versus decentralized), and marketing and distribution channels.
6. The following questions relate to item 11 of the November 12 response:
  - a. Mercantile provided information on the fair lending program of Mercantile Bank. Please elaborate on Mercantile's plans for the administration of the fair lending program following the proposed merger of Firstbank's bank subsidiaries into Mercantile Bank. For example, indicate whether Mercantile Bank's fair lending program would be implemented at the former offices of the target banks. To the extent that any of the target's fair lending policies, procedures or practices would be implemented going forward, describe them.
  - b. Mercantile indicates (page 10) that any deviation from Mercantile Bank's rate sheet for consumer loans, home equity loans, home equity lines of credit and portfolio mortgages must be documented on the rate sheet. Describe the procedure for non-portfolio mortgages.
  - c. Mercantile indicated (page 11) that the bank's fair lending assessment includes a yearly review of the bank's marketing and advertising and that, during the year, the compliance officer reviews marketing and advertising plans to ensure the program reaches all the communities the bank serves and does not discourage any applicant from a protected class. Indicate when the most recent few reviews were conducted, the salient findings, and any actions taken as a result of these findings. In addition, to the extent not already provided, describe any other community outreach efforts (e.g., credit needs ascertainment, marketing/advertising, and product development) by Mercantile to make credit available to residents throughout the bank's assessment areas, including to African American or Hispanic individuals or residents of minority census tracts in those areas, including in the Grand Rapids MSA. Finally, indicate how such efforts would be implemented at the consolidated organization.
  - d. Mercantile stated (page 11) that, effective in 2013, the monthly reports to the bank's CRA Committee include the number of minority loans applications and originations and that these changes were implemented to bring focus to the bank's efforts to increase its number of minority loan applications. Indicate when this expanded reporting began, elaborate on any findings/data that prompted the expanded reporting, describe any other changes that have been implemented to bring focus to Mercantile Bank's efforts to increase its volume of loan applications from minorities, and provide

any information on the results of these measures. Finally, describe your plans with respect to the above at the consolidated organization.

Please address your responses within eight business days to Colette A. Fried at the Federal Reserve Bank of Chicago (230 LaSalle Street, Chicago, IL 60604) and also send a copy of the public portion of your response directly to the protestant, Matthew R. Lee. Any information for which you desire confidential treatment should be so labeled and separately bound in accordance with the Board's rules regarding confidential treatment of information at 12 CFR 261.15.

If you have any questions regarding this letter, please call Sheryl Hudson of the Board's Division of Banking Supervision and Regulation at (202) 912-7839 or Charles Fleet of the Board's Division of Consumer and Community Affairs at (202) 452-2776.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael J. Sexton", with a long horizontal line extending to the right.

Michael J. Sexton  
Deputy Associate Director

cc: Colette A. Fried, Assistant Vice President  
Federal Reserve Bank of Chicago

Matthew R. Lee, Esq.  
Inner City Press/Fair Finance Watch