



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 6, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MFC First National Bank
Charter #14102
234 W. Genesee Street
Iron River, Michigan 49935

Office of the Comptroller of the Currency
Iron Mountain Duty Station
P.O. Box 666
Iron Mountain, Michigan 49801

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **MFC First National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 6, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Outstanding** record of meeting community credit needs.

MFC First National Bank has a solid record of originating loans to individuals of different income levels and to businesses of all sizes. Its loan-to-deposit ratio is above average for the area and a majority of loans are to borrowers located within the assessment area.

The following table indicates the performance level of MFC First National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	MFC FIRST NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior evaluation		

DESCRIPTION OF INSTITUTION

MFC First National Bank reported almost \$57 million in assets as of December 31, 1996. Its main office is located at 234 W. Genesee Street, Iron River, Michigan, within a moderate-income Block Numbering Area (BNA). The bank has two branches, located in Iron River and Crystal Falls. The Iron River branch is also located within a moderate-income BNA, whereas the Crystal Falls branch is in a middle-income BNA. ATMs are located at each branch. No offices have opened or closed since our last CRA examination which was dated June 16, 1994.

The bank is owned by Michigan Financial Corporation (MFC) headquartered in Marquette, Michigan. MFC is a \$817 million bank holding company which owns seven banks located throughout the western half of the upper peninsula of Michigan.

This bank offers traditional community bank services with a loan portfolio representing 77% of total assets. The loan portfolio is broken down as follows: 46% commercial loans; 37% residential real estate mortgages; and 17% consumer loans. There are no financial, legal, or other impediments which would hinder the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF IRON AND FLORENCE COUNTIES

The assessment area includes all of Iron county in Michigan and Florence county in Wisconsin. This area includes a total of seven BNAs, of which five have been designated as middle-income and two as moderate-income. The assessment area meets the regulatory criteria and does not arbitrarily exclude low- or moderate-income geographies. The assessment area population, according to the 1990 census, was 17,765. The 5,117 families in the area had incomes broken down as follows: low-income - 26%; moderate-income - 24%; middle-income - 23%; and upper-income - 26%.

The Department of Housing and Urban Development reports that the median family income in a non-metropolitan area in Michigan was \$33,800 in 1996 and \$35,500 in 1997. In Wisconsin those levels were \$37,700 and \$39,600, respectively, for the same two year period.

The local economy is considered depressed. Unemployment levels have historically been above state and national averages and the area suffers from an absence of core manufacturing jobs. The primary industry in the area, logging and related trades, has struggled over the past several years. Tourism is a secondary economic activity. Major employers include West Iron County Schools, Iron County Community Hospital, Ski Brule, AGA, and Magiglide, Inc.

Local competition is strong, most notably provided by two state banks and a national bank. Several other banks, credit unions, and a mortgage company also compete for business.

A member of the Iron River Downtown Development Authority was contacted and asked to express views on the performance of area financial institutions in helping to meet the credit needs of the community. Comments expressed were overwhelmingly positive and the contact felt MFC First National Bank has been responsive to the credit needs of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio:

The loan-to-deposit ratio has been rising, increasing from 71% on June 30, 1994, to 85% on December 31, 1996. This bank's loan-to-deposit ratio has averaged 78% over the 11 quarters since the last CRA examination. Three other banks based in the assessment area had average loan-to-deposit ratios of 63%, 72%, and 72% over that same period.

The bank also assists in the preparation and processing of paperwork for customers who desire fixed-rate residential mortgages. These are processed by an affiliate bank in Marquette, Michigan, which sells them on the secondary market. Thirty-one such mortgages were originated during 1996, totaling \$1.6 million. This figure is not reflected in the bank's loan-to-deposit ratio.

Lending in the Assessment Area:

A majority of the loans granted by the bank are to individuals, families, and businesses within the assessment area. We reviewed loans originated by the bank since the last CRA examination. Our analysis revealed the following percentages of loans made within the assessment area in relation to total originations: Commercial Loans - 77%; Real Estate Mortgages - 93%; and Consumer Loans - 84%.

Lending to Businesses of Different Sizes:

The bank does a good job of lending to businesses of different sizes. This assessment is based on a review of 35 commercial loan files randomly selected. Our review showed that a substantial majority of the bank's commercial loans are made to small businesses with annual revenues under \$1 million as illustrated by the following table:

Annual Revenue (000s)	<\$100	\$100 - \$250	\$250 - \$500	\$500 - \$1,000	>\$1,000
% of Loans	40%	26%	17%	14%	3%

Lending to Borrowers of Different Incomes:

The bank’s distribution of consumer loans and mortgages reflects good penetration among families of different income levels, especially those categorized as low- and moderate-income. We reviewed the majority of direct automobile loans granted over a recent 60 day period, along with a random sample of home mortgages extended over the last four months. A total of 74 files were evaluated, with income distributions as follows:

Family Income	Low-Income*	Moderate-Income*	Middle-Income*	Upper-Income*
Percent of Families in the Assessment Area	26%	24%	23%	26%
Percent of Installment Loan Sample	31%	33%	29%	7%
Percent of Real Estate Mortgage Sample	25%	33%	17%	25%

* Income categories are based on the statewide non-metropolitan median family incomes detailed on page 3 of this report.

Geographic Distribution of Loans:

Lending patterns reveal a good distribution of loans throughout the bank’s assessment area. This area includes seven separate BNAs, including a moderate-income BNA where the bank’s main office and Iron River branch are located, along with a second moderate-income BNA located adjacent to Iron River. As illustrated below, in both the installment loan sample and the residential mortgage sample the representation of credit extended within those moderate-income BNAs was greater than the percentage of families living there:

Distribution Within Block Numbering Categories	Percent Located in Moderate-Income BNAs	Percent Located in Middle Income BNAs
Total Families in Assessment Area	35%	65%
Installment Loan Sample	43%	57%
Residential Mortgage Sample	43%	57%

Other:

No violations were found during our review of the bank’s compliance with antidiscrimination laws

and regulations.