



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**April 20, 2009**

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

The First National Bank of Norway  
Charter Number 6863  
501 W. US 2  
Norway, MI 49870

Office of the Comptroller of the Currency  
Iron Mountain Field Office  
1302 1/2 South Carpenter Avenue  
P.O. Box 666  
Iron Mountain, MI 49801

**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.**

Major factors supporting this rating include:

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the credit needs of the assessment area (AA).
- A substantial majority of the bank's loans are originated inside the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

**SCOPE OF EXAMINATION**

We evaluated The First National Bank of Norway's Community Reinvestment Act (CRA) performance under the Small Bank Lending Tests. Data from the bank's primary loan products, home mortgage loans and business loans, were used to evaluate the bank's lending performance.

The evaluation covered the period from the previous CRA examination dated March 18, 2003 through April 20, 2009. The Lending Tests evaluated home mortgage loans and business loans originated or purchased between January 1, 2007 and March 31, 2009. A random sample of loans within the bank's AA for each primary loan product was taken. The most recent demographic data available was also obtained.

**DESCRIPTION OF INSTITUTION**

The First National Bank of Norway (FNB Norway) is an \$83 million bank with its main office located in Norway, Michigan, a middle-income census tract (CT). The institution is wholly-owned by Northern Interstate Financial Inc., a one-bank holding company with \$83 million in assets located in Norway, MI. The bank operates three full-service branches, which are located in the following areas: the Ebeling's supermarket in Norway, MI, north Iron Mountain, MI and a new branch that opened December 2007 in Carney, MI. The bank also operates four non-depository ATM's located at the main office, the Ebeling's supermarket, the Iron Mountain branch, and the Carney branch. The Ebeling's supermarket ATM can be accessed during normal business hours, while the other three ATM's are accessible 24 hours. No branches have been closed since the previous performance evaluation. The Carney branch was opened December 27, 2007.

The bank offers a variety of traditional products and services including business, real estate, and consumer purpose loans, as well as various deposit and investment products. As of March 31, 2009, the loan portfolio represented 73% of total assets. FNB Norway's primary loan products are business loans and home mortgages. By dollar volume, the loan portfolio consists of commercial loans (37%), residential real estate (56%), agricultural (3%), consumer loans (3%),

and other loans (1%). There are no legal or financial impediments limiting the bank's ability to meet the credit needs of its AA. FNB Norway's last CRA evaluation was on March 18, 2003, using Small Bank procedures. The bank received a "Satisfactory" rating.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB Norway has one AA located entirely in Michigan. The AA does not lie within a Metropolitan Statistical Area (MSA). The bank's AA includes all of Dickinson and Menominee Counties, and is comprised of fourteen middle income census tracts. The AA complies with the regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

According to the 2000 census data, the total population of the bank's AA is 52,798, which includes 14,647 families. Income levels for these families are as follows: 2,839 low-income families (19%), 3,022 moderate-income families (21%), 3,517 middle-income families (24%) and 5,269 upper-income families (36%). Of the families, 2,366 (16%) are below the poverty level. The 2000 U.S. Census estimated median family income (MFI) is \$42,047 for the bank's AA. The 2008 updated Department of Housing and Urban Development (HUD) estimated MFI is \$50,200.

Overall, the local and state economy is characterized as declining. Recently, a large employer in Niagara, WI, a near-by community, closed its Niagara mill location and the area lost over 300 jobs. The unemployment rate for 2008 in Michigan was 8.4%, one of the highest in the nation. The 2008 unemployment rate for Dickinson County was 9.7% and Menominee County was 8.3%. These figures are not seasonally adjusted. Major employers in the area include: Verso (paper mill), Dickinson County Hospital, the VA Memorial Hospital, and MJ Electric (Norstar).

Competition in the area is strong. The bank's competitors include large multi-state banks and several community banks and credit unions. In total deposits, FNB Norway, with a market share of 11%, ranks third out of all FDIC-insured institutions. This is using FDIC market share data as of June 30, 2008. The balance of the market share is divided among eleven institutions with market shares ranging from 25% down to 1%.

In assessing the bank's CRA performance, we contacted a local city manager to determine the community's profile and the performance of local financial institutions. The contact stated that local financial institutions are meeting the credit needs of the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

The bank's loan to deposit ratio is reasonable given its size, financial condition, and the credit needs of the community. The average quarterly loan to deposit ratio for the bank since the last examination was 88%, which ranks 3rd in a peer group of four similarly situated banks. FNB

Norway has the 3rd highest level of average assets of these banks at \$83 million. The other banks' average assets ranged from \$73 million to \$242 million. The average loan to deposit ratios for the peer group ranged from 80% to 98% over the same period.

**Lending in Assessment Area**

The bank originates a substantial majority of its loans to borrowers within its AA. A random sample of the bank's primary loan products shows 94% by number and 92% by dollar volume of loans were originated within the AA.

<b>Lending in the Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	29	97%	1	3%	30	\$1,815	91%	\$176	9%	\$1,991
Business	35	92%	3	8%	38	\$2,310	93%	\$180	7%	\$2,490
Totals	64	94%	4	6%	68	\$4,125	92%	\$356	8%	\$4,481

Source: Bank records (verified by examiners)

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

The overall distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

The borrower distribution of home mortgage loans within the AA is good. The bank's percentage of loans to low-income and moderate income borrowers compares favorably to the demographics of the AA as illustrated in the table below.

<b>Borrower Distribution of Home Mortgage Loans</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Home Mortgages	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
	19%	17%	21%	31%	24%	21%	36%	31%

Source: Sample of 29 bank records (verified by examiners) and U.S. Census Demographic Data.

The distribution of business loans within the AA is reasonable. As the following table shows,

the number of loans originated to businesses with revenues under \$1 million is comparable to the demographic data.

<b>Borrower Distribution of Loans to Businesses</b>				
Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63%	5%	32%	100%
% of Bank Loans in AA by #	77%	23%	0%	100%
% of Bank Loans in AA by \$	60%	40%	0%	100%

*Source: Sample of 35 bank records (verified by examiners) and Dunn & Bradstreet Business Demographic Data*

**Geographic Distribution of Loans**

All of the census tracts in FNB Norway’s assessment area are middle-income geographies. Therefore, an analysis of the geographic distribution of the bank’s loans within its assessment area would not provide meaningful information.

**Responses to Complaints**

No complaints have been received by the bank or OCC relating to the bank’s CRA performance since the previous evaluation.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.