



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 27, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MFC First National Bank
Charter #7676
600 Sheldon Avenue
Houghton, Michigan 49931

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 27, 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 **Satisfactory** record of meeting community credit needs.

MFC First National Bank has a satisfactory record of originating loans to individuals of different income levels and to businesses of all sizes. The loan-to-deposit ratio is reasonable and a majority of loans are to borrower's located in 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 is a \$72 million bank with its main office located in downtown Houghton, Michigan, a middle-income Block Numbering Area (BNA). The bank has two full service branches, both located in middle-income BNAs. In addition, the bank also maintains 24 hour ATMs at the main office, the University branch, ShopKo in Houghton, and one in Baraga. The branch in Baraga was closed in October 1996. No apparent adverse impact was noted as a result of this branch closure. The bank is owned by the Michigan Financial Corporation located in Marquette, Michigan. This \$817 million bank holding company owns seven banks all located in the western Upper Peninsula of Michigan.

The bank offers traditional community bank services with a loan portfolio representing 65% of total assets. The loan portfolio is broken down as follows: 46% in commercial loans, 14% in consumer loans, and 40% in residential mortgages. There are no financial, legal, or other impediments which would hinder the bank's ability to help meet credit needs within its assessment area.

DESCRIPTION OF BARAGA, HOUGHTON AND KEWEENAW COUNTIES

The assessment area includes all of Baraga, Houghton and Keweenaw counties and is comprised of nine middle- and five moderate-income BNAs. The entire Keweenaw County is comprised of two moderate-income BNAs. Two moderate-income BNAs are located in Houghton County and one moderate-income BNA is located in Baraga County. The assessment area meets the regulatory criteria and does not arbitrarily exclude low- and moderate-income geographies.

The population of the assessment area, according to the 1990 census, is 45,101. Income levels of these 10,683 families are as follows: low-income - 26%; moderate-income - 22%; middle-income - 22%; and upper-income - 30%. The HUD median family income for non-metropolitan areas in Michigan was \$33,800 in 1996.

The local economy is healthy and stable with improving employment trends. The economy is supported by an area casino, tourism, logging, a state university, and a state prison.

Competition is strong in the local market. One large savings bank is headquartered in Hancock. Several small independent banks, a branch of a regional holding company, and four credit unions all vie for business.

A community contact was conducted with the program administrator of an area revolving loan fund. He commented favorably concerning this bank's performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The loan-to-deposit ratio averaged 63% over the past twelve quarters. The average loan-to-deposit ratios of four other banks of similar size located in the assessment area ranged from 33% to 81% over the same period. Two of these banks had a higher average ratio than MFC First National Bank.

Lending in the Assessment Area:

A large majority of loans are in the assessment area as shown by the following table:

Percent of Outstanding Loans in the Assessment Area	Dollar Amount of Loans	Number of Loans
Commercial Loans	67%	84%
Residential Real Estate Loans	97%	97%
Consumer Loans	89%	90%

The above analysis of loans represents loans made or renewed by the bank during 1996. The analysis does not include all loans in the bank's portfolio but we believe it provides an accurate representation of the bank's lending practices within the assessment area.

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

The bank does a satisfactory job of lending to borrowers of different incomes and to businesses of different sizes. Commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to several million dollars. A sample of 64 customer files, for commercial loans originated during 1996, indicates the following breakdown of annual revenues.

Annual Revenue	<\$100M	\$101M - \$500M	\$501M - \$1MM	>\$1MM
# of Loans	13	23	6	22
Percent	20%	36%	9%	34%

As indicated above, a majority of the bank's commercial loans are made to small businesses having less than \$1 million in annual revenue.

We reviewed 82 consumer instalment and residential real estate loans during our examination. Customers were randomly selected from new loans originated since October 1996. The following table indicates the percentage of loans made to low and moderate income borrowers is comparable to the percentage of these families that live in the assessment area.

Family Income Level of Borrower	Low-Income	Moderate-Income	Middle-Income	Upper-Income
# of Loans	20	19	24	19
Percent of Loans	25%	23%	29%	23%
Percent of Families in Assessment Area	26%	22%	22%	30%

Geographic Distribution of Loans:

Our analysis of the loan portfolio also indicates there is a reasonable geographic distribution of customers throughout the assessment area. A comparison of zip code and BNA boundaries indicated they are reasonably comparable. Due to this, the locations of the loan customers were determined using their zip code as a proxy for the BNA address.

Income Level of BNA	Percent Located in Moderate-Income BNA's	Percent Located in Middle-Income BNA's
Loan Customers	12%	88%
Number of Families in the Assessment Area	31%	69%

A lower percentage of loans are made to customers located in the moderate-income BNAs than the percentage of families that live there. This distribution is considered reasonable based on the following facts:

Four of the moderate income BNAs in this bank's assessment area are located in Keweenaw County and northern Houghton County. MFC First National Bank has no branches in this area. Several other area banks have offices located in or close to these moderate income BNAs. These other bank offices provide easy access to credit products for customers in that area. MFC First National Bank also closed its branch located in the other moderate income BNA located in Baraga county. Customers in this BNA have easy access to credit products from the two other bank branches located in that BNA. All of the above banks with presences in the moderate income BNAs have received satisfactory or better CRA ratings.

Other:

No violations were found during our review of the bank's compliance with antidiscrimination laws and regulations.