



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 16, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Crystal Falls
Charter #14269
125 Superior Avenue
Crystal Falls, Michigan 49920

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 **First National Bank of Crystal Falls** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 16, 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.

The First National Bank of Crystal Falls has a good 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 borrowers located in the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of Crystal Falls (FNB) is a \$58 million bank with its main office located in downtown Crystal Falls, Michigan. FNB has one full service branch, located in Sagola, Michigan. The main office and branch are located in separate middle-income block numbering areas (BNAs). FNB also maintains three ATMs, including a 24 hour ATM at the main office. Additional ATMs are located at the Mobil Mart in Sagola and at the Tall Pines convenience store in Amasa, Michigan. These last two ATMs are only accessible during business hours. The bank is an independently owned community bank.

The bank offers traditional community bank services with a loan portfolio representing 69% of total assets. The loan portfolio is broken down as follows: 36% in commercial loans, 16% in consumer loans, and 48% 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 DICKINSON AND IRON COUNTIES

The assessment area includes the eastern half of Iron county and the northern half of Dickinson county. The assessment area is comprised of three middle- and two moderate-income BNAs. The two moderate-income BNAs are located in Iron 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 13,222. Income levels of these 3,784 families are as follows: low-income - 27%; moderate-income - 25%; middle-income - 22%; and upper-income - 25%. The HUD median family income for non-metropolitan areas in Michigan was \$35,500 in 1996.

The local economy is healthy with stable employment trends. The economy is supported primarily by tourism, logging, and governmental units.

Competition is strong in the local market with a branch of a community bank, a branch of a savings bank, and a local credit union located in Crystal Falls. Two other community banks and a credit union are located in Iron River, Michigan. Competition from non-bank providers continues to grow.

A community contact was conducted with a local realtor. His comments on this bank's performance were generally neutral. He stated that the credit needs of the community are being met by area financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The loan-to-deposit ratio averaged 64% over the past twelve quarters and is considered reasonable. The average loan-to-deposit ratios of two other banks of similar size located in the assessment area were 71% and 79% over the same period.

Lending in the Assessment Area:

A 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	81%	94%
Residential Real Estate Loans	63%	65%
Consumer Loans	75%	74%

A comparison of zip code and BNA boundaries indicated they are roughly comparable. Due to this, the locations of the above customers were determined using their zip code as a proxy for the BNA address. In cases where zip codes appeared to cross BNA boundaries, plat maps were used to determine the location of customers. The above analysis includes loans made in 1997 and 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 good 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 random sample of 31 commercial customer files indicates the following breakdown of annual revenues.

Annual Revenue	<\$100M	\$101M - \$500M	\$501M - \$1MM	>\$1MM
# of Loans	10	14	3	4
Percent	32%	45%	10%	13%

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

The following table is per an analysis of 52 loan files containing income information for the borrower. The files were from those reviewed during our examination of the bank’s compliance with consumer laws and regulations. These files were for secured consumer loans and residential real estate mortgage products. These customers were randomly selected from all consumer loans originated since March 1, 1997.

Family Income Level of Borrower	Low-Income	Moderate-Income	Middle-Income	Upper-Income
# of Loans	16	20	11	5
Percent of Loans	31%	38%	21%	10%
Percent of Families in Assessment Area	27%	25%	22%	25%

As indicated by the above table, the percentage of loans made to low- and moderate-income borrowers is substantially higher than the actual percent of these families located in the assessment area.

Geographic Distribution of Loans:

Our analysis of a sample of the loan portfolio also indicates there is a reasonable geographic distribution of customers throughout the assessment area. Zip codes were used as a proxy for the BNA address as discussed in the "Lending in the Assessment Area" section of this report.

The following table is per an analysis of the 58 loan files reviewed during our examination of the bank's compliance with consumer laws and regulations. These files were for secured consumer loans and residential real estate mortgage products. These customers were randomly selected from all consumer loans originated since March 1, 1997.

Income Level of BNA	Percent Located in Moderate-Income BNAs	Percent Located in Middle-Income BNAs
Loan Customers	5%	95%
Number of Families in the Assessment Area	47%	53%

The above table indicates a smaller percentage of loans are made to borrowers located in the moderate-income BNAs than the percentage of families that live there. The two moderate-income BNAs are located on the outer edge of the bank's assessment area. This bank does not have a branch in either of the moderate-income BNAs. Banks in Iron River are more accessible for the consumers in these BNAs. The percentage of loan customers in the moderate-income BNAs is reasonable based on these facts.

Other:

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