



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 25, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Iron Mountain
Charter #3806
233 South Stephenson Avenue
Iron Mountain, Michigan 49801**

**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 **the First National Bank of Iron Mountain** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 25, 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 Iron Mountain (FNB) originates a substantial majority of its loans within its assessment area. Its loan-to-deposit ratio is reasonable and illustrates a willingness to serve the credit needs of the community. FNB has an acceptable record of serving businesses of various sizes and customers of all income levels, including low- and moderate-income families.

DESCRIPTION OF INSTITUTION

FNB is a bank with \$151 million in assets, headquartered in the city of Iron Mountain, Michigan. The city is located in the south central portion of Michigan's upper peninsula along the Michigan / Wisconsin border. The bank has four branches, all of which are located in Iron Mountain and nearby Kingsford, Michigan. ATMs are located at the main office, the local hospital, and in two area supermarkets. The bank is owned by FNB Bancshares, Inc., a one bank holding company. The last CRA examination at this institution was conducted as of August 15, 1994 with the bank receiving a satisfactory rating. There are no legal, financial or other factors that would impede the bank's ability to help meet the credit needs of its assessment area.

Traditional community bank loan products and services are offered by FNB. The loan portfolio, representing 62% of total assets as of June 30, 1997, is comprised as follows: 55% commercial loans, 29% residential real estate mortgages, and 16% consumer loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes block numbering areas (BNAs) in both Michigan and Wisconsin. In Michigan it includes all of Dickinson County, along with eastern portions of Iron County. In Wisconsin the assessment area includes Florence County and the northern regions of Marinette County. The total assessment area is comprised of 13 BNAs, of which nine are in Michigan and four in Wisconsin. In this area there are 11 middle-, 1 moderate-, and 1 upper-income BNA. The assessment area meets the regulatory criteria and does not arbitrarily exclude low- or moderate-income geographies. The population of the assessment area, according to the 1990 census, is 42,064. There are 11,869 families in the area, with income levels disbursed as follows: 18% low-income, 20% moderate-income, 22% middle-income, and 40% upper-income. The median housing value is \$41,400 and the 1990 U.S. Census median family income for the assessment area was \$27,984. The HUD median family income in a non-metropolitan area in Michigan for 1997 is estimated at \$35,500; in Wisconsin that estimate is \$39,600.

The local economy is stable with improving trends in the levels of both employment and income. Unemployment generally runs above state and national averages, but the local rate is among the lowest in the region. The economy is primarily dependent on the timber industry (paper mills, wood fiber processing, and independent logging operations). Tourism is secondary. Major employers in the area include Champion International, Grede Foundries, Khoury, Inc., and Louisiana Pacific.

Competition in the local market is considered strong. A number of other commercial banks and credit unions compete for business.

We discussed the performance of area financial institutions with various members of the community who are considered knowledgeable of local lending needs. All of our contacts expressed satisfaction with the manner in which demands are being met and with the products and services that are offered. No negative comments were made regarding this institution.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

FNB's loan-to-deposit ratio is reasonable given the credit needs within its assessment areas. Over the 12 quarters since the last CRA examination the loan-to-deposit ratio has averaged 77%. Two other banks with main offices in the same assessment area had average loan-to-deposit ratios of 68% and 90% over the same period.

The loan-to-deposit ratio does not include mortgage loans which are originated and sold on the secondary market. This bank actively offers such products and has generated almost \$10 million in secondary market mortgages over the past 19 months.

Lending in the Assessment Area:

A substantial majority of loan originations are to borrowers residing within the assessment area. This assessment is based on a random sample of 158 loans originated within the last 6 months. The sample included auto loans, real estate mortgages, and commercial loans. We used a sample instead of all originations since the last CRA evaluation because this information was not readily available.

The following table summarizes the percentage of sampled loans that FNB originated within its assessment area:

	Commercial	Residential Real Estate	Consumer Installment	Total
Number of Loans	97%	97%	94%	96%
Dollar Amount	98%	97%	92%	97%

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

The distribution of sampled consumer loans and real estate mortgages reflects acceptable penetration among families of different income levels. We reviewed a majority of consumer automobile loans granted over a recent 90 day period, along with a random sample of home mortgage loans extended over the last six months. A total of 85 auto loans and 66 real estate mortgages were evaluated. The respective income distributions were as follows:

Family Income	Low-Income*	Moderate-Income*	Middle-Income*	Upper-Income*
Percent of Families in the Assessment Area	18%	20%	22%	40%
Percent of Auto Loan Sample	32%	26%	24%	18%
Percent of Real Estate Mortgage Sample	5%	6%	32%	57%

* Income categories are based on the statewide non-metropolitan median family income detailed on page 2 of this report.

The bank’s record of lending to businesses of different sizes is reasonable. This assessment is based on a review of 60 commercial files randomly selected; the results of which are illustrated in the chart below. A majority of the businesses included in our sample had annual revenues below \$1 million.

Annual Revenue (000s)	< \$100	\$100 - \$250	\$250 - \$500	\$500 - \$1,000	> \$1,000
Loan Sample (%)	15%	18%	22%	13%	32%

Geographic Distribution of Loans:

The bank’s assessment area consists of 1 moderate-, 11 middle-, and 1 upper-income BNA. The BNAs located closest to the bank are designated as middle- and upper-income. The lone moderate-income BNA is located in Marinette County, Wisconsin, on the outer edge of the assessment area. Our sample geographic distribution of loans did not disclose any originations within this moderate-income BNA. Management expressed a willingness and desire to lend in that area; however, demand has been soft due to the existence of alternative lending sources that are closer.

Other:

The bank did not receive any consumer complaints since our last examination.

During our review of fair lending laws and regulations we did not identify any evidence of discriminatory practices intended to discourage applications for credit.