



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 31, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Norway
Charter #6863
501 West US 2
Norway, Michigan 49870**

**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 Norway (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 31, 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.

FNB has an acceptable record of originating loans to individuals of different income levels and to businesses of all sizes. Its loan-to-deposit ratio is reasonable for the area and a majority of loans made are to borrowers located within the assessment area.

DESCRIPTION OF INSTITUTION

FNB is a \$49 million institution with its main office located in Norway, Michigan, which is in the south central portion of Michigan's Upper Peninsula. The bank has one branch located in a local supermarket in downtown Norway. ATMs are located at the main office drive-in and at a gas station in Quinnesec, Michigan. The bank is owned by Northern Interstate Financial, Inc., which is a one bank holding company. The last CRA examination at this institution was conducted as of April 3, 1995, and the bank was rated Satisfactory. 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 represents 62% of total assets and is comprised as follows: 43% commercial, 49% residential real estate, and 8% consumer loans.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is defined as all of Dickinson county, which is comprised of 7 Block Numbering Areas (BNA). In this area there are 6 middle- 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 7 BNAs, according to the 1990 census, is 26,831. There are 7,594 families in the area, with income levels disbursed as follows: 16% low-income, 18% moderate-income, 22% middle-income, and 44% upper-income. The area median housing value is \$41,700, and the U.S. Census 1990 median family income for the assessment area is \$27,894. The HUD median family income in a non-metropolitan area in Michigan is \$35,500 in 1997.

The local economy is good with improving trends in both employment and income levels. Unemployment levels remain above state and national levels, but are among the lowest in the Upper Peninsula. The economy is primarily dependent on the timber industry (paper mills, wood fiber processing & independent logging operations). Tourism is secondary. Major employers in the area include: Champion International Corporation, Grede Foundries Incorporated, Khoury Incorporated, and Louisiana Pacific Corporation.

Competition is strong in the local market. There are several other commercial banks, credit unions and a savings and loan in the market area.

We held a discussion with a member of the local community who had only favorable comments concerning the bank's record of meeting credit needs in the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio:

FNB has a reasonable loan-to-deposit ratio that has averaged 69% over the 8 quarters since the last CRA examination. Two other banks based in the same assessment area had average loan-to-deposit ratios of 70% and 79%, over the same period.

Lending in the Assessment Area:

A majority of loans are in the assessment area. Our analysis of outstanding balances by zip code is considered a reasonable proxy for the location of loan originations since our last evaluation because you can readily determine the location within the assessment area by the zip code.

The following table summarizes the percentage of outstanding loans, by dollar amount, that FNB has made within its assessment area:

	Commercial	Residential Real Estate	Consumer Installment	Total
Dollar Amount	88%	89%	84%	88%

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

The distribution of consumer auto and home mortgage loans sampled reflects a reasonable penetration among families of different income levels, especially those categorized as low- and moderate-income. We reviewed the majority of consumer automobile loans granted over the last 6 months, along with a random sample of home mortgage loans extended over the last 6 months. A total of 70 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	16%	18%	22%	44%
Percent of Auto Loan Sample	9%	38%	26.5%	26.5%
Percent of Real Estate Mortgage Sample	6%	12%	35%	47%

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

The bank does an acceptable job of lending to businesses of different sizes. This assessment is based on a review of 31 commercial loan files randomly selected. Our review showed that a 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 Sampled	45%	13%	10%	6%	26%

Geographic Distribution of Loans:

As indicated earlier, the bank's assessment area consists of 6 middle- and 1 upper-income BNA. Since there are no low- or moderate-income BNAs in the assessment area, only a limited geographic distribution analysis was performed. Our analysis indicates a reasonable distribution throughout the assessment area. According to bank management and our community contact, low- and moderate-income residents are not located in any one particular area. In addition, we did not observe any specific low- or moderate-income areas during our examination.

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.