



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 17, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MFC First National Bank
Charter #11954
500 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 MFC First National Bank prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 17, 1996. 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 Outstanding record of meeting community credit needs.

MFC First National Bank 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 strong and a large 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 \$52.9 million bank with the main office located in downtown Iron Mountain, a middle-income Block Numbering Area (BNA). The bank has branches in Powers, Hermansville, and Quinnesec, all middle-income BNAs. There also is an ATM at the main office. No offices have opened or closed since our last examination which was November 15, 1993. The bank is owned by Michigan Financial Corporation (MFC) located in Marquette, Michigan. MFC is a \$777 million bank holding company which owns seven banks located throughout the western half of the Upper Peninsula (U.P.) of Michigan and an insurance subsidiary.

The bank offers traditional community bank services with the loan portfolio representing 82% of total assets. The loan portfolio is 40% residential real estate, 38% commercial and 22% consumer loans. There are no financial, legal, or other impediments which would hinder the bank's ability to help meet credit needs of its assessment area.

DESCRIPTION OF DICKINSON AND NORTHERN MENOMINEE COUNTIES

The assessment area includes all of Dickinson county which is comprised of 1 high- and 6 middle-income BNAs. The area also includes the 3 northern most BNAs in Menominee county, 2 are middle- and 1 is moderate-income. The moderate-income BNA is on the outskirts of the assessment area and close to an affiliate's branch. The assessment area meets the regulatory criteria and does not arbitrarily exclude low- or moderate-income geographies. The population according to the 1990 census is 36,354. Income levels of these 10,317 families are as follows: low- income - 18%; moderate-income - 19%; middle-income - 23%; and upper-income - 40%. Per HUD, the median family income in a non-metropolitan area in Michigan was \$32,600 in 1995 and \$33,800 in 1996.

The local economy is good with improving trends in both employment and income levels. Unemployment levels remain above state and national averages but are the lowest in the U.P. The primary industry in the area is wood products including the manufacture of paper products, furniture and construction materials. Tourism is secondary. Major employers include Champion International, Khoury, Inc., and Dickinson County Memorial Hospital.

Competition is strong in the local market. Two additional national banks are headquartered here. There also are branches of three other national banks (including an affiliate), a state bank and a savings and loan. Several credit unions and a mortgage company also vie for business.

Discussions were held with two members of the local business community. Both had only favorable comments concerning the bank's performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio:

The loan-to-deposit ratio increased from 76% at December 31, 1993 to 93% at March 31, 1996, averaging 86% over these ten quarters. The two other banks based in the assessment area had average loan-to-deposit ratios of 73% and 66% over the same ten quarters.

The bank also helps prepare the paperwork for customers who want fixed-rate residential mortgage loans. These are processed by the affiliate bank in Marquette which sells them on the secondary market. There were 58 of these loans between November 1, 1995 and April 30, 1996, totaling \$3.6 million. This figure is not reflected in the loan-to-deposit ratio.

Lending in the Assessment Area:

A large majority of loans are in the assessment area. The outstanding balances of the consumer real estate mortgage and commercial loan portfolios, sorted by zip code, indicates 86% and 87% respectively are to borrowers in the assessment area. President Wisler stated the consumer portfolio would approximate these figures. Our analysis of outstanding balances by zip code is considered a reasonable proxy of the location of loan originations since our last evaluation as the market area and marketing strategy have not changed.

As part of this examination we reviewed a sample of 43 new consumer mortgage loans originated between November 1, 1995 and April 30, 1996. Our review of the loan portfolio as a whole leads us to believe this sample is representative of all loans originated since our last examination. 93% of the sample loans were to borrowers in 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 loan borrowers have a wide diversity of gross revenue levels ranging from a few thousand to several million dollars. A random review of 32 commercial loan customer files, which represents 19% of the number of commercial loan customers, indicates the following breakdown of annual revenues:

Annual Revenue (In 000s)	<\$100	\$100 - \$250	\$250 - \$500	\$500 - \$1,000	>\$1,000
# of Loans	10	8	6	3	5

The size of consumer mortgage loans originated between November 1, 1995 and April 30, 1996 was used as a proxy for income levels of these borrowers as income information was not readily available. Loan amounts of the 122 consumer mortgage loans written between November 30, 1995 and April 30, 1996 break down as follows:

Loan Amount (In 000s)	<\$15	\$15 - \$30	\$30 - \$50	\$50 - \$75	>\$75
# of Loans	23	42	28	15	14

69% of the above loans are less than \$41,000, which is the 1996 median housing value in the assessment area.

Geographic Distribution of Loans:

Our analysis of the consumer mortgage and commercial loan balances sorted by zip code indicates there is a reasonable geographic distribution of customers throughout the assessment area. Outstanding balances were considered an acceptable proxy to use instead of origination amounts due

to the similarity of income levels in the BNAs. The 40 consumer mortgage loans reviewed located in the assessment area are in the following BNAs: 5 - upper; 35 - middle; and 0 - moderate income.

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

* The financial information in this public evaluation has been adjusted to eliminate cash letter clearings from affiliates included in the Reports of Condition and Income per regulatory accounting requirements.