



PUBLIC DISCLOSURE

October 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of St. Ignace
Charter Number: 3886
132 North State Street
St. Ignace, MI 49781

Office of the Comptroller of the Currency
Iron Mountain Field Office
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 St. Ignace** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 5, 1998**. 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 St. Ignace has a satisfactory record of originating loans to individuals of different income levels and small businesses. The loan-to-deposit ratio is reasonable and a substantial majority of loans are to borrowers located in the assessment area.

DESCRIPTION OF INSTITUTION

The First National Bank of St. Ignace (FNB) is a \$123 million bank with its main office located at 132 North State Street, St. Ignace. In addition to the main office, the bank has four full service branches, one located at 1014 South Newberry Avenue, Newberry, MI, another on Market Street, Mackinac Island, MI, a third branch on Meridian Road, Cedarville, MI, and a fourth branch located on West US-2, Naubinway, MI. The bank also operates a limited service drive-up branch located at 580 North State Street, St. Ignace, MI, which offers general services including various deposit products and check cashing. All of the above banking offices have on premise automated teller machines (ATMs). The bank operates three other ATMs, two in St. Ignace and another on Mackinac Island.

FNB offers traditional community bank services with a loan portfolio representing 57% of total assets. The loan portfolio consists of commercial loans (58%), residential related mortgage loans (32%), and consumer loans (10%). 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 ASSESSMENT AREA

The FNB's assessment area consists of (12) twelve block number areas (BNAs) located in Mackinac (5 BNAs), Luce (2 BNAs), Chippewa (2 BNAs), Emmet (2 BNAs), and Cheboygan (1 BNA) Counties. Three of the BNAs are moderate-income tracts and nine of the BNAs are middle-income tracts.

Based on the 1990 census data, the population of this assessment area is 28,298. The population consists of 7,992 families of which 1,916 (24%) are low-income; 1,796 (22%) moderate-income; 1,968 (25%) middle-income, and 2,312 (29%) upper-income. Based on 1998 Housing and Urban Development (HUD) data, the weighted average median family income level in the assessment area is \$37,100. The weighted average median housing value in the assessment area is \$41,467.

The primary economic activity in the bank's assessment area is tourism. Economic conditions of the country have reflected favorably on Michigan's tourism business including the bank's assessment area. There are a variety of motels, restaurants, gift shops, and services associated with various attractions. According to Michigan Jobs Commission's Employment Service Agency, the unemployment rates as of August 1998 for Mackinac County was 1.7%, Luce County 6.4%, Chippewa County 5.7%, Cheboygan County 2.3%, and Emmet County 4.2%. The Upper Peninsula's average unemployment rate for the same period was 4.4%. These rates are slightly above the State of Michigan unemployment rate of 3.2% for the same period. Although, unemployment rates usually reach double digit figures during February and March.

The secondary economic activities in the area include state prisons, school districts, the Mackinac Bridge Authority, and the timber industry. Some of the other major employers in the area include Mackinac Straits Hospital, Louisiana Pacific Corporation, Vegas Kewadin Casino, Michigan Limestone Corporation, and the State of Michigan. Major seasonal employers include the Grand Hotel on Mackinac Island and ferry services.

Competition in the local market is considered strong. There are three other commercial banks, and six credit unions in the area. In addition, there are branches of other banks located in FNB's assessment area.

The bank's assessment area meets the requirements of the Community Reinvestment Act (CRA) and does not arbitrarily exclude low- or moderate-income geographies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to Deposit Ratio:

FNB's loan-to-deposit ratio is satisfactory and averaged 69% over the past twelve quarters. The average loan-to-deposit ratios of the three other banks located in the assessment area ranged from 61% to 78% over the same period. The overall average loan-to-deposit ratio for banks located within the assessment area is 71%. FNB's local peer group for this analysis consists of similar banks with total assets less than \$250 million in Mackinac, Chippewa, Luce, Cheboygan, and Emmet Counties. In addition, FNB has originated and sold approximately \$14 million of loans in the secondary market since the bank's previous CRA examination.

Lending in the Assessment Area:

A substantial majority of FNB's loans are within its assessment area. This conclusion is based upon a sample of thirty-four commercial loans, sixty-seven residential 1-4 family real estate loans, and fifteen consumer loans originated or refinanced by the bank since January 1, 1998. Customer location was determined using city and street address, county plat books and the assessment area map. The results of our sample are illustrated in Table 1.

Table 1

% of Loan Outstanding in Assessment Area	# In	%	\$ In (000's)	%	# Out	%	\$ Out (000's)	%
Commercial Loans	33	97%	3,105	97%	1	3%	100	3%
Residential Real Estate Loans	58	87%	2,714	85%	9	13%	468	15%
Consumer Secured Loans	14	93%	84	74%	1	7%	30	26%
Totals	105	90%	5,903	91%	11	10%	598	9%

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

The bank's record of lending to borrowers of different incomes and to small businesses is satisfactory.

Commercial borrowers have a wide diversity of gross annual revenue levels ranging from a few thousand to \$2 million. A sample of commercial customer files indicates that a majority of the bank's commercial loans are made to small businesses having less than \$1 million in annual revenues. Table 2 reflects the results of this sampling.

Table 2

Annual Revenue	<\$100M	\$101M - \$500M	\$501M - \$1MM	>\$1MM
# of Loans	7	16	7	4
% of Loans	22%	47%	22%	
\$*Loans Extended	177	2,037	797	194
% of Loans	6%	63%	25%	6%

* Dollar amount in thousands

Table 3 represents an analysis of 82 loans files containing borrower income information. The sample included secured consumer loans and residential real estate mortgage loans originated since January 1, 1998. The table indicates that the combined percentage of loans made to low- and moderate-income borrowers (42%) is reasonably comparable to the actual proportion of these families located in the assessment area (46%).

Table 3

Income Category	# Loans Extended	% Loans Extended	# Families	%** Families	Range*** Income
Low-Income	9	11%	1,916	24%	<\$18,550
Moderate-Income	25	31%	1,796	22%	\$18,551-\$29,680
Middle-Income	20	24%	1,968	25%	\$29,681-\$44,520
Upper-Income	28	34%	2,312	29%	\$44,521 & Above
Totals	82	100%	7,992	100%	

** Based on 1990 census data

*** Based on 1998 HUD median family income in the assessment area of \$37,100

Geographic Distribution of Loans:

FNB has a satisfactory distribution of loans. Our analysis of the loan portfolio indicated that there is a reasonable geographic distribution of customers throughout the assessment area. The locations of the loan customers were determined using their home address and plat books for Mackinac, Luce, Chippewa, Cheboygan, and Emmet Counties.

Our sample of 82 loans consisted of loans for secured and unsecured consumer loans and residential real estate mortgage products. Customers were randomly selected from all loans originated since January 1, 1998.

Table 4 indicates that the bank is proportionally lending to the moderate- and middle-income BNA's within the assessment area.

Table 4

Analysis of Lending in BNAs	Percent Located in Moderate-Income BNAs	Percent Located in Middle-Income BNAs	Totals
Loans Made in BNAs	12	70	82
Percent of Loans	15%	85%	100%
Dollar Amount of Loans *	612	2,685	3,297
Percent of Dollars	19%	81%	100%
Population in the assessment	5,857	22,441	28,298
Percent of Population	21%	79%	100%

* Dollar amount in thousands

Our sample showed no loans made in one of the middle-income BNAs located in the north central sector of Emmet County, Michigan. The northern sector of this BNA is the bank's southern border, but the entire BNA is included in its assessment area. There are various other financial institutions located in the southern portion of this BNA available to meet the loan and deposit needs of the population within that area.

Response to Consumer Complaints and Compliance with Fair Lending Laws and Regulations:

The bank has received no CRA-related complaints since its last CRA examination. No violations of substantive provisions of anti-discrimination laws and regulations were identified.