



Comptroller of the Currency
Administrator of National Banks

Small

Bank

PUBLIC DISCLOSURE

August 23, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Calumet
Charter Number: 3948
219 Sixth Street
Calumet, MI 49913

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 Calumet prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 23, 1999. 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.**

- o A substantial majority of loans are originated inside the assessment area.
- o The bank has a reasonable distribution of lending to businesses of different sizes given the demographics of the assessment area.
- o There is a reasonable distribution of loans to individuals of different income levels, including low- and moderate-income levels.
- o The loan-to-deposit ratio is reasonable considering the size of the community and the level of competition in the area.

DESCRIPTION OF INSTITUTION

The First National Bank of Calumet is a \$36 million bank with its main office located at 219 Sixth Street, Calumet, Michigan, a moderate income Block Numbering Area (BNA). The bank has one branch located in Lake Linden, a moderate income BNA. No offices have been opened or closed since our last CRA examination which was dated June 12, 1995, and the bank was rated satisfactory at that time.

The bank offers traditional community bank services with a loan portfolio representing 42% of total assets as of June 30, 1999. The bank is primarily a residential real estate lender. The loan portfolio consists of commercial loans (35%), residential related mortgage loans (56%), and consumer loans (9%). The bank is 95% owned by Tanis, Inc., a one bank holding company. 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 bank's assessment area consists of seven BNAs located in Keweenaw and Houghton Counties. The two BNAs located in Keweenaw County are moderate income. The remaining 5 BNAs are

located in Houghton County and 2 are moderate income and 3 are middle income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Based on the 1990 census data, the population of this assessment area is 16,386. The population consists of 4,395 families of which 1,247 (29%) are low-income; 975 (22%) moderate-income; 974 (22%) middle-income, and 1,199 (27%) upper-income. Based on 1999 Housing and Urban Development (HUD) data, the weighted average median family income level for non-metropolitan areas is \$39,400. The weighted average median housing value within the assessment area is \$25,769, with 51% of the housing being owner occupied.

The local economy is relatively stable, with unemployment levels that are slightly above the state average in Keweenaw county and lower than the state average in Houghton County. The unemployment rate for the month of July 1999 (the most recent information available) was 4.2% for the state of Michigan, 5.3% for Keweenaw County and 3% for Houghton County. The primary economic activities in the area are tourism related businesses. Wood related industries and small manufacturing would be secondary. Major employers include Michigan Technological University, Portage Health Systems, Keweenaw Memorial Medical Center, local public school systems, Calumet Electronics, and Keweenaw Academy.

Competition among financial institutions in the assessment area is strong with several branches of out of area banks and credit unions located in the bank's assessment area.

In conducting this assessment of the bank's performance, we contacted a local realtor and government official. These discussions did not indicate the existence of unmet credit needs in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition and lending opportunities within its assessment area. The First National Bank of Calumet's average quarterly loan-to-deposit ratio from June 1996 through June 1999 is 46%. There are no other similarly sized banks located in the assessment area. During our examination we surveyed bank branches of several institutions located in the assessment area to obtain loan-to-deposit information. The branches surveyed had loan-to-deposit ratios ranging from 21% to 50%. This bank's loan-to-deposit ratio compares favorably with the other branch ratios.

Lending in the Assessment Area:

The First National Bank of Calumet originates a substantial majority of its loans within its assessment area. This conclusion is based on all residential real estate mortgages and commercial loans made since January 1, 1996. Customer location was determined using customer address and assessment area BNA maps. The following table illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Area		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	96%	89%
Residential Real Estate Mortgages	95%	95%
Total	93%	93%

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 several million dollars. A sample of 27 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. The following table reflects the results of this sampling.

Lending Distribution Based on Revenue Size of Businesses		
Revenue Size of Businesses Sampled \$(000's)	Bank Lending Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (census information)
Revenues not reported*	26%	93%
< \$100	19%	
\$100 - \$500	41%	
\$500 - \$1,000	7%	
> \$1,000	7%	7%
Totals	100%	100%

*These businesses did not have a financial statement in the loan file. However, it can be reasonably inferred from the type of small businesses reviewed that gross revenues would be less than \$1 million.

The following table is based on an analysis of 59 residential real estate 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. Customers were randomly selected from all residential real estate mortgages originated since August 1998. The table indicates that the percentage of the number of loans made to low- and moderate-income borrowers is generally higher than the actual proportion of these families located in the assessment area. The percentage of dollars loaned to low- and moderate-income borrowers is indicative of the smaller dollar loans that are typically made in those income ranges.

Lending Distribution Based on Income Level of Residential Real Estate Borrowers January 1998 - August 1999 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Dollar Amount of Loans	Bank Lending Distribution by Number of Loans	Percentage of Families in each Income Category (census information)
Low	11%	25%	29%
Moderate	20%	31%	22%
Middle	17%	17%	22%
Upper	52%	27%	27%
Totals	100%	100%	100%

Geographic 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 assessment area BNA maps.

Our sample of loans consisted of both secured and unsecured consumer loans, residential real estate mortgages, and commercial loan products. The sample represents all loans made since January 1, 1996.

Analysis of Lending in BNAs	Percent Located in Moderate-Income BNAs	Percent Located in Middle-Income BNAs
Percent of Loans by number	61%	39%
Percent of loans by dollar amount	59%	41%
Percent of Population in Assessment Area	48%	52%

Response to CRA Related Complaints:

The bank has not received any CRA related complaints since the previous evaluation.

Compliance with Antidiscrimination Laws:

First National Bank of Calumet is in compliance with applicable antidiscrimination laws and regulations. The OCC conducted a fair lending examination concurrently with its CRA examination. We reviewed 61 residential real estate mortgages to compare loan terms. No evidence of disparate treatment was identified.