



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

January 5, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Calumet-Lake Linden
Charter Number: 3948**

**219 Sixth Street
Calumet, MI 49913**

**Comptroller of the Currency
Iron Mountain Field Office
P.O. Box 666
Iron Mountain, MI 49801**

NOTE: This document is an evaluation of this 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. 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.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

- The geographic distribution of loans reflects a good dispersion throughout the assessment area.
- The loan-to-deposit ratio is reasonable.
- A majority of loans are originated inside the bank's assessment area.
- The bank has an adequate distribution of loans to individuals of different income levels, including low- and moderate-income levels, and businesses of different sizes.

DESCRIPTION OF INSTITUTION

The First National Bank of Calumet-Lake Linden (FNB-Calumet-Lake Linden) is a \$50 million community bank with \$4 million in tier one capital. The main office is located in Calumet, MI in a moderate-income census tract (CT). The bank operates two full-service branches, located in Lake Linden, MI (middle-income CT) and Houghton, MI (middle-income CT). 24-hour cash dispensing only ATMs are located at the Lake Linden and Houghton branches. The Houghton branch was opened in July 2002. FNB-Calumet-Lake Linden was purchased in December 2000 by Marquette County Financial Corp., a two-bank holding company with \$176 million in assets. FNB-Calumet-Lake Linden's sister bank is the First National Bank of Negaunee.

The bank offers traditional community bank products and services and is primarily a commercial and residential real estate lender. As of September 30, 2003, the net loan portfolio represented 64% of total assets. The loan portfolio is broken down as follows: 54% commercial, 42% residential real estate, and 4% consumer loans.

There are no financial, legal or other impediments that would hinder the bank's ability to help meet the credit needs of its assessment area. The previous CRA evaluation dated August 23, 1999, resulted in a satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) includes 12 CTs located in the upper peninsula of Michigan. This area includes all of Houghton and Keweenaw Counties. The AA is comprised of one moderate- (8%), ten middle- (84%), and one NA-income (8%) CTs. The NA-income CT is an island (Isle Royale) in Keweenaw County. This island only has a minimal number of businesses (38) that are open a portion of the year and no permanent residents. The AA is considered legal and appropriate. It consists of only whole CTs and does not arbitrarily exclude any low- or moderate-income geographies.

According to 2000 census data, the total population of the bank's AA is 38,317, which is comprised of 8,871 families. Income levels for these families are as follows: 1,848 low-income families (21%), 1,996 moderate-income families (22%), 2,103 middle-income families (24%), and 2,924 upper-income families (33%). Of the low-income families, 862 (47%) are below the

poverty level. The HUD updated median family income for nonmetropolitan areas in Michigan was \$48,300 in 2003, \$44,800 in 2002 and \$42,700 in 2001. These figures were used in the borrower income distribution test. The 2000 census median family income for nonmetropolitan areas in Michigan is \$43,168. This figure was used in the geographic distribution test. The median housing value within the AA is \$59,750, with 54% of the total housing units being owner-occupied.

The current local economy is characterized as stable. Tourism is the primary economic activity in the area, with service-related businesses making up a majority of the business community. Major employers in the area include: Calumet Electronics, Michigan Technological University, Portage Health System, Keweenaw Memorial Medical Center, Finlandia University, and local public school systems. The average year-to-date unemployment rate through October 2003 for the Upper Peninsula of Michigan was 7.4%. The average unemployment rates for Houghton and Keweenaw Counties for the same time period were 6.4 and 10.6%, respectively. These figures are not seasonally adjusted.

Competition among financial institutions in FNB-Calumet-Lake Linden's AA is considered strong. Competitors include: branches of two large multi-state banks, branches of two large Michigan state banks, the main office and branches of one Michigan community bank, and two credit unions. In total deposits, FNB-Calumet-Lake Linden, with a market share of 8%, ranks fifth out of all FDIC-insured institutions with at least one branch located in the bank's AA. This is using FDIC market share data as of June 30, 2003. The balance of the market share is divided among five institutions with market shares ranging from 44% down to 5%.

In conducting this assessment of the bank's performance, we contacted a representative from a local nonprofit organization. The contact stated that local financial institutions are meeting the credit needs of the community and had only favorable comments concerning the bank's performance.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan – to – Deposit Ratio

The bank's loan-to-deposit ratio is satisfactory given its size, financial condition, and credit needs of the community. The average quarterly loan-to-deposit ratio for the bank since the last examination is 55%, which ranks third in a peer group of three similarly situated banks. The peer group consists of banks that were examined as a small bank in their last CRA examination and are chartered within 50 miles of FNB-Calumet-Lake Linden. The bank has the smallest level of average assets of these banks at \$49 million. The other banks' average assets were \$63 million and \$289 million. The average loan-to-deposit ratios for the similarly situated banks were 61% and 76%, respectively, over the same time period.

Additionally, the bank originates residential real estate loans that are immediately sold on the secondary market or to its sister bank, First National Bank of Negaunee. These loans are not used in the loan-to-deposit calculation. In 2003, and combined 2002 and 2001, the bank originated and sold \$9.9 million and \$6.4 million, respectively.

Lending in the Bank's Assessment Area

The bank originates a majority of its loans inside the assessment area. This conclusion is based on an analysis of the original dollar amount and number of all commercial, residential real estate and consumer loans originated or refinanced by the bank between January 1, 2001 and December 17, 2003. A comparison of zip code and CT boundaries indicated they are similar; therefore, the location of borrowers with loans in the selected time period was determined using their zip codes as a proxy for the CT address. A report sorted by zip code and loan type was generated to complete the analysis. The following table illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Area January 2001 – December 2003 Loan Originations		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	83%	73%
Residential Real Estate Mortgages	93%	95%
Consumer Loans	94%	94%
Total	91%	82%

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

The bank's lending practices represent a reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers, and businesses of different sizes. The bank's primary loan products were used in our sample and are depicted in the following tables. A sample of 30 commercial customers located in the bank's assessment area indicates the following breakdown of annual revenues:

Lending Distribution Based on Revenue Size of Businesses January 2001 – December 2003			
Revenue Size of Businesses Sampled (000's)	Bank Lending Distribution by Number of Loans	Percent	Percentage of Businesses in Each Revenue Category (census information)
< \$100	11	37%	85%
\$100 - \$500	10	34%	
\$500 - \$1,000	1	3%	7%
> \$1,000	4	13%	8%
Revenue not Reported	4	13%	
Totals:	30	100%	100%

The table above shows 87% of the businesses sampled have revenues of \$1 million or less. Loans for businesses with unreported revenues include loans where no income information was

evident in the loan file. These businesses are included in the \$1 million or less revenue category because it can reasonably be inferred from the type of business that gross revenues are \$1 million or less.

The following table is based on an analysis of 30 residential real estate mortgage loans containing income information for the borrower. These customers are located within the bank’s assessment area and were randomly selected from all residential real estate mortgages, excluding home equity lines of credit, originated between January 1, 2001 and December 17, 2003.

Lending Distribution Based on Income Level of Residential Real Estate Borrowers January 2001 – December 2003 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Bank Lending Distribution by Dollar Value of Loans	Percentage of Families in each Income Category (Census information)
Low	10%	7%	21%
Moderate	33%	30%	22%
Middle	30%	19%	24%
Upper	27%	44%	33%
Totals	100%	100%	100%

As indicated by the table above, 43% of the number and 37% of the dollar value of loans were made to low- and moderate-income borrowers, who make up 43% of the assessment area’s population. This represents an adequate distribution of lending to borrowers of different income levels. The lower percentage in dollars loaned to low-income borrowers is indicative of the smaller loans that are typically made to customers in this income range. In addition, close to one-half (47%) of the low-income families in the assessment area are below the poverty level. These families would not typically qualify for real estate mortgage loans.

Geographic Distribution of Loans

Our analysis of 154 commercial and 214 geocoded residential real estate mortgage loans originated or renewed between January 1, 2001 and December 17, 2003 indicates FNB-Calumet-Lake Linden has a good dispersion of loans throughout its assessment area. Lending is evident in all CTs with an income designation. The following table illustrates the results of the review.

Geographic Distribution Based on Number and Dollar Amount of Loans Made in Assessment Area January 2001 – December 2003 Loan Originations						
	% of Number Originated in the NA-income CT	% of Dollar Amount Originated in the NA-income CT	% of Number Originated in the Moderate-Income CT	% of Dollar Amount Originated in the Moderate-Income CT	% of Number Originated in the Middle-Income CTs	% of Dollar Amount Originated in the Middle-Income CTs
Commercial Loans	0%	0%	23%	13%	77%	87%
Percentage of Businesses in the Assessment Area (census information)	2%		10%		88%	
Residential Real Estate Mortgages	0%	0%	19%	16%	81%	84%
Percentage of Owner-Occupied Housing in the Assessment Area (census information)	0%		7%		93%	
Total Loans	0%	0%	21%	14%	79%	86%

As described in the description of assessment area section, the NA-income CT is an island in Keweenaw County. This island only has a minimal number of businesses that are open a portion of the year and no permanent residents.

Responses to Complaints

No complaints have been received by the bank or OCC relating to the bank's CRA performance since the previous evaluation.

Fair Lending or Other Illegal Credit Practices

We found no evidence of illegal discrimination or other illegal credit practices.