



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 11, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Wakefield
Charter Number: 11305**

**401 Sunday Lake Street
Wakefield, MI 49968**

**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.

TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING.</i>	<i>1</i>
<i>DESCRIPTION OF THE INSTITUTION</i>	<i>1</i>
<i>DESCRIPTION OF THE ASSESSMENT AREA</i>	<i>1</i>
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i>	<i>2</i>

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

- A majority of loans are originated inside the bank's assessment area.
- The loan-to-deposit ratio is above average.
- The geographic distribution of loans reflects an adequate dispersion throughout the assessment area.
- The bank has an adequate distribution of loans to individuals of different income levels.

DESCRIPTION OF THE INSTITUTION

The First National Bank of Wakefield (FNB-Wakefield) is a \$46 million community bank with \$4 million in tier one capital. The main office is located in Wakefield, MI, a middle-income census tract (CT). The bank also operates a full-service branch in Bessemer, MI in a moderate-income CT and a cash dispensing ATM in the Big Dollar grocery store in Bessemer, MI in a moderate-income CT. No branches have been closed since the last examination. The Bessemer branch was opened in April 2000, with the ATM installed in April 2001. The bank is 98.8% owned by Wakefield Bancorporation, Inc., a one-bank holding company with \$46 million in total assets located in Wakefield, MI. All financial information is as of June 30, 2003.

The bank offers traditional community bank products and services with a net loan portfolio representing 61% of total assets as of June 30, 2003. The bank is primarily a residential real estate lender with a loan portfolio that consists of (by dollar value) 49% residential real estate loans, 26% commercial loans, and 25% 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 October 6, 1998, resulted in a satisfactory rating.

DESCRIPTION OF THE ASSESSMENT AREA

The bank's assessment area (AA) includes nine CTs in Michigan and Wisconsin. This area includes all of Gogebic County in Michigan, the western half of Ontonagon County in Michigan, and a small portion in northeastern Iron County in Wisconsin. The AA is comprised of four moderate- (44%) and five middle-income (56%) CTs. 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 1990 census data, the total population of the bank's AA is 23,757, which is comprised of 6,487 families. Income levels for these families are as follows: 1,598 low-income families (25%), 1,420 moderate-income families (22%), 1,614 middle-income families (25%), and 1,855 upper-income families (28%). Of the low-income families, 658 (41%) are below the poverty level. The HUD updated median family income for nonmetropolitan areas in Michigan was \$44,800 in 2002 and \$42,700 in 2001. This figure for Wisconsin was \$50,800 in 2002 and

\$48,400 in 2001. These figures were used in the borrower income distribution test. The 1990 census median family income for nonmetropolitan areas in Michigan is \$27,893 and \$30,290 for Wisconsin. These figures were used in the geographic distribution test. The median housing value within the AA is \$26,113, with 52% of the total housing units being owner-occupied.

The current local economy is characterized as stagnant. The primary economic activities in the area are tourism and logging. Businesses in the area have been adversely affected in recent years by slowed tourism due to mild winters and September 11th. Major employers include: governmental agencies, Grandview Hospital, Ojibway Prison, Wakefield School District, and seasonal Indianhead Ski Resort. The average unemployment rate in June 2003 for the Upper Peninsula of Michigan was 7.7% and 5.7% for the state of Wisconsin. The average unemployment rates for Gogebic County, Ontonagon County, and Iron County for the same time period were 9.0%, 9.0% and 8.2%, respectively. These figures are not seasonally adjusted.

Competition in Wakefield is minimal; however, several financial institutions are located in the surrounding area. The bank's competitors in its assessment area include: branches of three large multi-state banks, branches of two large Michigan state banks, the main office and branch of one Michigan community bank, branches of two Michigan community banks, and several credit unions. In total deposits, FNB-Wakefield, with a market share of 12%, ranks fifth out of all FDIC-insured institutions with at least one branch located in Gogebic, Ontonagon, and Iron Counties. This is using FDIC market share data as of June 30, 2002. The balance of the market share is divided among eight institutions with market shares ranging from 19% down to 1%.

In conducting this assessment of the bank's performance, we contacted a local realtor. 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 good 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 80%, which ranks first in the peer group of five similarly situated banks. The peer group consists of banks with assets less than \$250 million that are chartered within 50 miles of FNB-Wakefield. FNB-Wakefield has the third largest level of average assets of these banks at \$45 million. The other banks' average assets ranged from \$17 million to \$52 million. The average loan-to-deposit ratios for the similarly situated banks ranged from 52% to 79%, over the same time period.

Lending in Assessment Area

The bank originates a substantial majority of its loans inside the assessment area. This conclusion is based on an analysis of the original dollar amount and number of 40 residential real estate and 40 consumer loans originated or refinanced by the bank between January 1, 2001 and December 31, 2002. The borrower's location was determined using their street address, city, state and zip code along with the Federal Financial Institution Examination Council (FFIEC)

geocoding website. 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 2002 Loan Originations		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Consumer Loans	98%	99%
Residential Real Estate Mortgages	95%	95%
Total	96%	95%

Lending to Borrowers of Different Incomes

The bank's lending practices represent an adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank's primary loan products were used in our sample and are depicted in the following tables. The following table is based on an analysis of 29 consumer loans from the lending in the AA test sample. These loans are to borrowers located in the bank's AA that contained income information.

Lending Distribution Based on Income Level of Consumer Loan Borrowers January 2001 – December 2002 Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Bank Lending Distribution by Dollar Value of Loans	Percentage of Households in each Income Category (Census information)
Low	28%	23%	33%
Moderate	41%	40%	19%
Middle	24%	30%	19%
Upper	7%	7%	29%
Totals	100%	100%	100%

As depicted in the above table, both the number and dollar amount of consumer loans made to low-income borrowers was slightly below the income characteristics of the assessment area. The below average dollar amount is indicative of the smaller loans that are typically made to customers in this income range. In addition, approximately one-half (49%) of the low-income households in the AA are below the poverty level.

An analysis was performed using 35 residential real estate loans located in the bank's AA that contained income information in the file. The results of this analysis are depicted in the following table:

Lending Distribution Based on Income Level of Residential Real Estate Borrowers January 2001 – December 2002 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	14%	4%	25%
Moderate	29%	20%	22%
Middle	14%	15%	25%
Upper	43%	61%	28%
Totals	100%	100%	100%

Similar to the results from the consumer loan sample analysis, the number and dollar amount of residential real estate loans made to low-income borrowers was below the income characteristics of the AA. Approximately 41% of the low-income families are below the poverty level. These families would not typically qualify for real estate mortgage loans. The below average dollar amount is indicative of the smaller loans that are typically made to customers in this income range.

Geographic Distribution of Loans

Our analysis of the consumer and residential real estate loans sampled also indicates FNB-Wakefield has a reasonable dispersion of loans throughout its AA, with lending evident in all census tracts. An analysis of 39 consumer and 38 residential real estate loans was performed. The following table illustrates the bank's performance:

Geographic Distribution Based on Number and Dollar Amount of Loans Made in Assessment Area January 2001 – December 2002 Loan Originations				
	% of Number Originated in Moderate-income CTs	% of Dollar Amount Originated in Moderate-income CTs	% of Number Originated in Middle-income CTs	% of Dollar Amount Originated in Middle-income CTs
Consumer Loans	21%	22%	79%	78%
Percentage of Households in the AA (Census information)	45%		55%	
Residential Real Estate Mortgages	18%	14%	82%	86%
Percentage of Owner-Occupied Housing in the AA (Census information)	44%		56%	
Total Loans	19%	15%	81%	85%

FNB-Wakefield has four moderate-income census tracts in its AA. As depicted above, the bank's lending in these tracts, in total, is below the demographic characteristics of the area. Our review indicated lending in the moderate-income census tract located in Bessemer, MI approximated the demographic characteristics of the area. Lending in the remaining three moderate-income tracts was below the characteristics of the area. These tracts are located on the outer edge of the bank's AA where borrowers have more immediate access to credit from other financial institutions to serve their needs. Based on these facts, the geographic distribution of loans is considered reasonable.

Responses to Complaints

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

Fair Lending Review

An analysis of 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on analysis of this information (or absence of information), the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in conjunction with the previous CRA evaluation in 1998.