



PUBLIC DISCLOSURE

June 5, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MFC First National Bank
Charter #3256
962 First Street
Menominee, MI 49858

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 **MFC First National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 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.

MFC First National Bank has a good record of originating loans to individuals of different income levels and businesses of all sizes. The loan-to-deposit ratio is reasonable and a majority of loans are to borrowers located in the assessment area.

DESCRIPTION OF INSTITUTION

MFC First National Bank is \$100 million bank with its main office located in downtown Menominee, Michigan, a middle-income block numbering area (BNA). The Bank has two full service branches, one located in Menominee and one located in Stephenson, Michigan, both middle-income BNAs. They also have an express mortgage center located in Marinette, Wisconsin, in an upper income BNA. In addition, the bank maintains 24 hour ATMs at the main office, the Stephenson branch, the M&M Plaza and the Amoco Express. The latter two are both in Menominee. There is also a limited access ATM at Pat's Foods in Marinette. The bank is owned by Michigan Financial Corporation located in Marquette, Michigan. This \$821 million bank holding company owns seven banks, all located in the Upper Peninsula of Michigan.

The bank offers traditional community bank services with a loan portfolio representing 70% of total assets. The loan portfolio is broken down as follows: 51% in commercial loans, 14% in consumer loans, and 35% in residential mortgage products. 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 assessment area includes all of Menominee County, Michigan, the southeastern portion of Marinette County, Wisconsin, and the eastern portion of Oconto County, Wisconsin. The assessment area is comprised of one moderate-income BNA and six middle-income BNAs in Menominee County; one moderate-income BNA, five middle income BNAs and one upper income BNA in Marinette County; and two middle income BNAs in Oconto County. The assessment area meets the regulatory criteria and does not arbitrarily exclude low- and moderate-income geographies.

The population of the assessment area, according to the 1990 census, is 56,104. Income levels of these 15,290 families are as follows: low-income - 21%, moderate-income - 20%, middle-income - 24%, and upper-income - 35%. The HUD estimated median family incomes for non-metropolitan areas in Michigan and Wisconsin in 1998 are \$37,100 and \$41,800, respectively.

The local economy is stable with steady employment trends. The economy is supported primarily by small manufacturing and service industries.

Competition is strong in the local market with three independent community banks, numerous branches of out-of-area banks and bank holding companies and eight credit unions. Competition from non-bank providers continues to grow.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

The loan-to-deposit ratio is reasonable and has averaged 70% over the past twelve quarters. The average loan-to-deposit ratios of five other banks located in the assessment area ranged from 53% to 73% over the same period.

Lending in the Assessment Area:

A majority of loans are in the assessment area as shown by the following table:

Percent of Outstanding Loans in the Assessment Area	Dollar Amount of Loans	Number of Loans
Commercial Loans	67%	87%
Residential Real Estate Loans	97%	96%
Consumer Loans	100%	100%

The locations of the loan customers were determined using their home or business address and plat books for Menominee, Marinette and Oconto counties. The above analysis of loans represents a sampling of consumer loans and real estate mortgages originated or renewed since January 1, 1998. The commercial loan sample was selected from commercial customers having outstanding balances during the same period. Overall, the sampling procedures included a fair representation of the bank's lending practices within the assessment area.

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

The bank does a satisfactory job of lending to borrowers of different incomes and to businesses of different sizes. Commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to \$11 million. A random sample of commercial customer files indicates the following breakdown of annual revenues.

Annual Revenue	<\$100M	\$101M - \$500M	\$501M - \$1MM	>\$1MM
# of Loans	13	20	6	9
Percent	27%	42%	12%	19%

As indicated above, a majority of the bank's commercial loans are made to small businesses having less than \$1 million in annual revenue.

The following table is based on an analysis of 123 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. These files were for secured consumer loans and residential real estate mortgage products and were randomly selected from all consumer loans originated since January 1, 1998.

Family Income Level of Borrower	Low-Income	Moderate-Income	Middle-Income	Upper-Income
# of Loans	23	33	29	38
Percent of Loans	19%	27%	23%	31%
Percent of Families in Assessment Area	21%	20%	24%	35%

As indicated by the above table, 46% of loans reviewed were made to low- moderate-income borrowers. This is comparable to the actual percentage of these families located in the assessment area.

Geographic Distribution of Loans:

Our analysis of a sample of the loan portfolio also indicates there is a good geographic distribution of customers throughout the assessment area. Customer locations were determined using their home address and plat books for Menominee, Marinette, and Oconto counties.

The following table is based on an analysis of 153 loan files reviewed during our examination of the bank's compliance with consumer laws and regulations. These files were the same as those discussed in the "Lending in the Assessment Area" section of this report.

Income Level of BNA	Percent Located in Moderate-Income BNA's	Percent Located in Middle-Income BNA's	Percent Located in Upper-Income BNA's
Loans Made in BNA	16%	80%	4%
Population in the Assessment Area	9%	87%	4%

The percentage of loan customers in moderate income BNAs is higher than the population within those BNAs.

Our sample showed only one customer in the one moderate-income BNA located in the northern sector of Marinette County, Wisconsin. This BNA is located on the outer edge of the bank's assessment area. The bank has no branches near this BNA and residents of the BNA have access to other nearby financial institutions.

Other:

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