



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**July 06, 2009**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The First National Bank of Wakefield  
Charter Number 11305

401 Sunday Lake Street  
Wakefield, MI 49968

Office of the Comptroller of the Currency  
Iron Mountain Field Office  
1302 1/2 South Carpenter Avenue  
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 bank originates a substantial majority of its loans inside the assessment area.
- The bank's loan-to-deposit ratio is reasonable.
- The distribution of borrowers reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

**SCOPE OF EXAMINATION**

First National Bank of Wakefield's Community Reinvestment Act (CRA) performance was evaluated under the Small Bank Lending Test. Data from the bank's primary loan products, home mortgage loans and business loans, were used to evaluate the bank's lending performance.

The evaluation covered the period since the previous CRA examination, August 11, 2003 through July 6, 2009. The Lending Test evaluated home mortgage loans and business loans originated or purchased between January 1, 2007 and June 30, 2009. A random sample of loans within the bank's assessment area (AA) for each primary loan product was used in our analysis. The most recent demographic data available was also obtained.

**DESCRIPTION OF INSTITUTION**

First National Bank of Wakefield is a \$46 million bank with its main office located in Wakefield, MI. The bank also operates a full-service branch in Bessemer, MI in a middle-income census tract (CT). The bank has eight cash dispensing ATM's, two in Bessemer, MI, one in Ironwood, MI, three in Marinesco, MI, and two in Wakefield, MI, which are all in middle-income CTs. No branches have been opened or closed since the last examination. The bank is 98.8% owned by Wakefield Bancorporation, Inc., a one-bank holding company with \$46 million in total assets also located in Wakefield, MI. All financial information is as of June 30, 2009.

The bank offers a variety of traditional products and services including commercial, real estate and consumer loans and various deposit products. As of June 30, 2009, the loan portfolio represented 60% of total assets. First National Bank of Wakefield's primary loan products are home mortgage loans and business (commercial) loans. By dollar volume, the loan portfolio consists of residential real estate loans (45%), commercial loans (33%), consumer loans (17%), and other loans (5%).

There are no legal or financial impediments limiting the bank's ability to meet community credit needs of its assessment area. First National Bank of Wakefield's last CRA

evaluation was on August 11, 2003, using Small Bank procedures. The bank received a "Satisfactory" rating.

## **DESCRIPTION OF ASSESSMENT AREA**

First National Bank of Wakefield has one assessment area which includes all of Gogebic County, Michigan, a portion of Ontonagon County, Michigan, all of Iron County, Wisconsin and a portion of Vilas County, Wisconsin. The assessment area does not lie within a Metropolitan Statistical Area (MSA). The bank has a total of 12 census tracts in its assessment area. This includes three moderate and nine middle income census tracts. The assessment area complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

According to 2000 census data, the total population of the bank's AA is 29,151, which is comprised of 8,099 families. Income levels for these families are as follows: 2,009 low-income families (25%), 1,973 moderate-income families (24%), 1,951 middle-income families (24%) and 2,166 upper-income families (27%). The 2000 U.S. Census estimated median family income (MFI) is \$35,350 for Michigan and \$38,373 for Wisconsin. The 2008 updated Department of Housing and Urban Development (HUD) estimated MFI is \$52,700 for Michigan and \$58,500 for Wisconsin. In addition, 21% of assessment area households have incomes that fall below the poverty level. This area also has a high percentage (26%) of households that are retired.

The local economy is characterized as stagnant. There have been no new businesses to the area recently and therefore limited employment opportunities. Customers are worried about their financial future and do not want to borrow unnecessarily. The unemployment rate in 2008 for Michigan was 8.4% and 4.7% for the state of Wisconsin. The unemployment rates for Gogebic County, Ontonagon County, Iron County, and Vilas County were high at 8.9%, 9.5%, 7.7%, and 6.3%, respectively. In addition, unemployment levels have been increasing in 2009.

In assessing the bank's CRA performance, we contacted a local realtor to determine the community's profile and the performance of local financial institutions. The contact stated that local financial institutions are meeting the credit needs of the community.

Competition from other financial institutions is strong in the local market. The bank's competitors include large multi-state banks, branches of Michigan state banks, and several credit unions. In total deposits, FNB Wakefield, with a market share of 13%, ranks fourth highest out of all FDIC-insured institutions. This is using FDIC market share data as of June 30, 2008. The balance of the market share is divided among seven institutions with market shares ranging from 18% down to 6%.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

First National Bank of Wakefield's loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The average

quarterly loan to deposit ratio for the bank since the last examination was 68%, which ranks fourth in a peer group of five similarly situated banks. FNB Wakefield has the 4th highest level of average assets of these banks at \$46 million. The other bank's average assets ranged from \$45 million to \$56 million. The average loan to deposit ratios for these banks ranged from 45% to 96%, over the same period.

**Lending in Assessment Area**

The bank originates a substantial majority of its loans to borrowers within its AA. A random sample of the bank's primary loan products shows 97% of loans by dollar amount and 99% of loans by number were originated within the AA.

<b>Lending in FNB Wakefield AA</b>										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Real Estate Mortgages	40	100%	0	0%	40	\$2,953	100%	\$0	0%	\$2,953
Commercial Loans	33	94%	2	6%	35	\$4,220	98%	\$72	2%	\$4,292
<b>Totals</b>	<b>73</b>	<b>97%</b>	<b>2</b>	<b>3%</b>	<b>75</b>	<b>\$7,173</b>	<b>99%</b>	<b>\$72</b>	<b>1%</b>	<b>\$7,245</b>

Source: Bank records (verified by examiners)

**Lending to Borrowers of Different Incomes**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

The borrower distribution of home mortgage loans within the assessment area is good. The bank's lending to low-income borrowers matches the demographic data. The bank's lending to moderate-income borrowers exceeds the demographic data.

<b>Borrower Distribution of Residential Real Estate Mortgage Loans</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	
% of Total	25%	25%	24%	25%	24%	33%	27%	15%	2%

Source: Sample of 40 bank records (verified by examiners) and U.S Census Demographic Data. Income information was not available for 1 loan in the sample.

The borrower distribution for business loans within the assessment area is adequate. As the following table shows, the number of loans originated to businesses with revenues under \$1 million exceeds the demographic data.

<b>Borrower Distribution to Businesses</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	59%	4%	37%	100.00%
% of Bank Loans in AA by #	73%	18%	9%	100.00%
% of Bank Loans in AA by \$	41%	56%	3%	100.00%

Source: Sample of 33 bank records (verified by examiners) and U.S Census Demographic Data

### Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

According to census data, 29% of the assessment area’s total owner occupied housing units are located in the moderate-income census tract in the AA. The bank originated 30% of its home mortgage loans to borrowers in this census tract.

<b>Geographic Distribution of Residential Real Estate Mortgage Loans</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
% of Total	0%	0%	29%	30%	71%	70%	0%	0%

Source: Sample of 40 bank records (verified by examiners) and U.S Census Demographic Data

According to census date, 39% of the assessment area’s total businesses are located in the moderate-income census tract in the AA. The bank originated 21% of its business loans to borrowers in this census tract.

<b>Geographic Distribution of Business Loans</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
% of Total	0%	0%	39%	21%	61%	79%	0%	0%

Source: Sample of 33 bank records (verified by examiners) and U.S Census Demographic Data

## **Responses to Complaints**

The bank has not received any CRA related complaints since the last CRA examination.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.