



## **PUBLIC DISCLOSURE**

July 27, 2015

### **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

Milwaukee Field Office  
1200 North Mayfair Road, Suite 200  
Wauwatosa, WI 53226

**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 major factors supporting the institution's rating include:

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment area (AA).
- A substantial majority of loan originations are made within the bank's AA.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

**SCOPE OF EXAMINATION**

We evaluated the First National Bank of Wakefield's (FNB Wakefield) Community Reinvestment Act (CRA) performance using the Small Bank Lending Test. We used data from the bank's primary loan products, residential real estate loans (home mortgages) and commercial loans, to evaluate the bank's lending performance.

The evaluation period covered the date from the previous CRA examination, July 6, 2009 through July 27, 2015. The lending test evaluated home mortgage loans and commercial loans originated or purchased between January 1, 2013 and July 20, 2015. The Office of Management and Budget (OMB) revised metropolitan area and census tract (CT) geographic definitions and boundaries in February 2013. Those revisions became effective for CRA purposes on January 1, 2014, affecting the bank's AA. As a result of changes regarding the percentage of families within each category by income, we performed a separate analysis on home mortgage loans for 2013 and 2014 to 2015. We completed an analysis on commercial loans over the full lending test period. We used a random sample and obtained the most recent demographic data.

**DESCRIPTION OF INSTITUTION**

FNB Wakefield is a \$48.6 million bank located in Gogebic County in the Upper Peninsula of Michigan. The main office is located in Wakefield, Michigan, in a middle-income CT. The bank operates one other full-service branch located in Bessemer, Michigan, which is also located in a middle-income CT. FNB Wakefield operates 11 ATMs—nine throughout the AA, and two that are located outside the AA in northern Wisconsin. The bank did not open or close any branches during the evaluation period. All locations have similar hours of operation. The bank is 100 percent owned by Wakefield Bancorporation, Inc., a one-bank holding company located in Wakefield, Michigan.

The bank's business strategy is to serve the credit and depository needs of its local community. The bank offers noncomplex deposit and lending products and services. As of March 31, 2015, the loan portfolio represented 41.68 percent of total assets. This is a decline from the previous CRA evaluation, when the loan portfolio represented

60 percent of total assets. The bank's recent loan demand has remained minimal. FNB Wakefield is primarily a residential real estate (home mortgage) and commercial lender. By dollar volume, the loan portfolio consists of 46 percent residential real estate, 34 percent commercial, 19 percent consumer, and less than one percent other loans.

There are no financial, legal, or other impediments limiting the bank's ability to help meet the credit needs of its AA. FNB Wakefield was rated Satisfactory at the prior evaluation, dated July 6, 2009.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB Wakefield has one AA located entirely in the Upper Peninsula of Michigan. The AA does not lie within a metropolitan statistical area (MSA). The AA includes all of Gogebic County and one CT in Ontonagon County. Given the bank's asset size, available resources, and limited branch locations, the designation of the entire Ontonagon County would be too large for the bank to reasonably serve. The AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income CTs.

According to the 2010 census data, the AA consists of eight CTs, all of which are designated as middle-income. Due to unemployment and population loss, all CTs in Gogebic County are designated as Distressed Middle-Income Nonmetropolitan Tracts. Due to the remote rural location, all CTs in Gogebic County are also designated as Underserved Middle-Income Nonmetropolitan Tracts. The one CT in Ontonagon County is designated as a Distressed Middle-Income Nonmetropolitan Tract due to unemployment and population loss, and as an Underserved Middle-Income Nonmetropolitan Tract due to the remote rural location.

Based on 2014 demographic data, the AA has 1,081 non-farm businesses. Of these businesses, 812 (75.12 percent) had revenues less than or equal to \$1 million, 74 (6.85 percent) had revenues greater than \$1 million, and 195 (18.04 percent) did not report revenue. The AA has a population of 18,460, which includes 5,209 families. Income levels for these families are as follows: 1,286 low-income families (24.69 percent), 1,035 moderate-income families (19.87 percent), 1,197 middle-income families (22.98 percent), and 1,691 upper income families (32.46 percent). Of the low-income families, 12.15 percent are below the poverty level. The median family income is \$45,664 and the HUD estimated MSA median family income is \$54,700.

The local economy continues to be stagnant. Major employers in the area include hospitals, school districts, and the construction and logging industries. The area has not gained or lost any large employers in the previous years. The April 2015 unemployment rate for Gogebic County was 7.4 percent, and the unemployment rate in Ontonagon County as of April 2015 was 9.9 percent. This compares to the 4.8 percent unemployment rate for the state of Michigan as of April 2015.

Competition from other financial institutions is moderate. The bank's competitors include branches of interstate banks and state banks. As of June 30, 2014, the bank's market share for total deposits was 12.97 percent, which ranked sixth out of eight financial institutions in Gogebic and Ontonagon Counties. The balance of the market share is divided among the seven remaining institutions, with market shares ranging from 4.84 percent to 17.88 percent.

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

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The bank's LTD is reasonable given FNB Wakefield's size, financial condition, and credit needs of the community. The bank's quarterly LTD ratio averaged 53.06 percent over the 23 quarters from September 30, 2009 to March 31, 2015. The bank ranks second out of four similarly situated banks, with peer bank ratios ranging from 36.23 percent to 85.63 percent in the specified time period. The banks in this peer group have total assets ranging from \$49 million to \$69 million, with FNB Wakefield at \$49 million.

### Lending in Assessment Area

FNB Wakefield originates a substantial majority of its loans to borrowers and businesses within its AA. A random sample of the bank's primary loan products shows that 94.37 percent of total loans by number and 97.21 percent of total loans by dollar amount were originated within the AA.

Lending in AA										
Type of Loan	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Real Estate Mortgages	44	95.65%	2	4.35%	46	\$2,699	98.19%	\$50	1.81%	\$2,749
Commercial Loans	23	92.00%	2	8.00%	25	\$2,916	96.34%	\$111	3.66%	\$3,027
<b>Totals</b>	<b>67</b>	<b>94.37%</b>	<b>4</b>	<b>5.63%</b>	<b>71</b>	<b>\$5,615</b>	<b>97.21%</b>	<b>\$161</b>	<b>2.79%</b>	<b>\$5,776</b>

Source: Bank records (verified by examiners)

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

The overall distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The random sample for this review included the bank’s primary loan products, which are residential real estate loans and commercial loans.

The bank’s borrower distribution of residential real estate loans in 2013 within the AA shows excellent penetration. The bank exceeds the AA demographic for both low- and moderate-income borrowers. The random sample shows that 27.27 percent of home mortgage loans were originated to low-income borrowers, while 24.92 percent of families within the AA are low-income. The bank originated 22.73 percent of its loans to moderate-income borrowers, and the demographics show 20.08 percent of AA families are moderate-income.

<b>2013 Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
<b>% of Total</b>	24.92%	27.27%	20.08%	22.73%	22.96%	22.73%	32.04%	27.27%

*Source: Sample of 22 bank records from 2013 (verified by examiners) and U.S. Census Demographic Data.*

The borrower distribution of residential real estate loans from 2014 to 2015 within the AA shows reasonable penetration. FNB Wakefield originated 13.64 percent of residential real estate loans to low-income borrowers, and 31.82 percent to moderate-income borrowers. While the bank’s originations to low-income borrowers are less than the demographic data percentage of 24.69 percent, this is still considered reasonable as the bank’s originations to moderate-income borrowers significantly exceeds the demographic data percentage of 19.87 percent. On a combined basis, the bank originated 45.46 percent of home mortgage loans to low- and moderate-income borrowers, while the demographics show the combined percentage of AA families is 44.56 percent.

<b>2014-2015 Borrower Distribution of Residential Real Estate Loans in AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
<b>% of Total</b>	24.69%	13.64%	19.87%	31.82%	22.98%	31.82%	32.46%	22.73%

*Source: Sample of 24 bank records from 2014 and 2015 (verified by examiners) and U.S. Census Demographic Data.*

FNB Wakefield’s borrower distribution to businesses within the AA shows excellent penetration. Businesses within the AA with annual revenues less than or equal to \$1 million represent 75.12 percent of total businesses. The bank exceeded the demographic data and originated 86.96 percent by number and 79.87 percent by dollar amount of its total commercial loans to small businesses within the AA.

<b>Borrower Distribution of Loans to Businesses in AA</b>				
Business Revenues (or Sales)	<= \$1,000,000	> \$1,000,000	Unavailable	Total
% of AA Businesses	75.12%	6.85%	18.04%	100.00%
% of Bank Loans in AA by #	86.96%	13.04%	0.00%	100.00%
% of Bank Loans in AA by \$	79.87%	20.13%	0.00%	100.00%

*Source: Sample of 25 bank records (verified by examiners) and Dun & Bradstreet Business Demographic Data.*

**Geographic Distribution of Loans**

The bank's AA contains no low- or moderate-income CTs. Therefore, an analysis of geographic distribution would not provide meaningful information.

**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**

Pursuant to 12 CFR 25.28(c), in determining a national bank’s CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment areas by an affiliate whose loans have been considered as part of the bank’s lending performance.

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