



PUBLIC DISCLOSURE

October 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Huron National Bank
Charter #16857

200 East Erie Street
Rogers City, Michigan 49779

Comptroller of the Currency
Detroit Field Office
Omni Officentre, Suite 411
26877 Northwestern Highway
Southfield, Michigan 48034

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 Huron National Bank prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of October 13, 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 as having a “Satisfactory record of meeting community credit needs.”

- Huron National Bank (HNB) has demonstrated a satisfactory level of loan activity within its assessment area in the last two years. A sample of various types of loans showed that 95 percent were made in the bank’s assessment area.
- Huron National Bank has demonstrated a willingness to lend to borrowers of all income levels and in various geographic areas within its delineated community. Approximately 43 percent of the loans sampled that included current income information were made to low or moderate income borrowers. This is consistent with the distribution of income within the population.
- Huron National Bank has addressed the needs of small businesses in its market area. The bank has concentrated its commercial lending efforts on businesses with sales less than \$1 million. A substantial majority of the businesses in the market area have sales less than \$1 million.

DESCRIPTION OF INSTITUTION

Huron National Bank is a full-service community bank which primarily services Presque Isle county. Huron National Bank is a wholly owned subsidiary of Huron National Bancorp, Inc., a one-bank holding company. Huron National Bank has one office and one full-service Automatic Teller Machine, both located in Rogers City.

As of September 30, 1998, total assets of the bank were \$32.8 million. The bank's loan portfolio represented 70 percent of total assets. The portfolio consisted of residential and commercial real estate loans (56 percent), loans to consumers (29 percent), and commercial loans (15 percent). The bank's primary lending focus has been on serving the community by originating mortgage and home improvement loans.

There are no legal impediments which would adversely affect the bank's ability to serve the community. The October 1995 Community Reinvestment Act examination rated the bank "Satisfactory".

DESCRIPTION OF ASSESSMENT AREA

The bank's trade area is seasonal and heavily dependent on tourism trade. Major employers in the area are the local schools, a mining operation, an auto plant, and government offices. Unemployment as of December 1997 for the county was 12 percent, compared to 4 percent for the state of Michigan. Because of the seasonality of the shipping industry and tourism, the unemployment rate for the county is considerably lower in the summer. The population in the county was 14,028 in 1994, a slight increase from 12,836 in 1970.

Huron National Bank is the only bank with its main office in Rogers City. There are three other banks, one savings and loan association, and two credit unions that provide competition in the county.

The bank's assessment area includes Presque Isle county which is not part of a metropolitan statistical area. Approximately two-thirds of the property in the county is owned by the state of Michigan. The majority of the real estate mortgages in the portfolio were made within the city limits of Rogers City, which is the largest city in the county.

Table 1 describes the demographic information for Presque Isle county. Presque Isle county includes eight block-numbered areas, two of which are not designated in any income category due to lack of population in the blocks. The other six blocks are middle income blocks. There are no low or moderate income block-numbered areas in the county.

Three community contacts were made during the examination. The community contacts included one business and apartment owner, a Rogers City councilman, and the Director of the Presque Isle County Housing Commission. Based on community contacts, the primary credit needs in the county are for home loan financing for purchase or improvements and small business lending. The majority of HNB's loans are for these purposes.

Table 1 Demographic Information for HNB's Assessment Area		
Block Area Characteristics	Count	%
Low (below 50% median)	0	0%
Moderate (50-80% of median)	0	0%
Middle (80-120% of median)	6	75%
Upper (over 120% of median)	0	0%
NA	2	25%
Totals	8	100%
Population Data (# of households)	Count	%
Low (below 50% of median)	1,521	28.3%
Moderate (50-80% of median)	876	16.3%
Middle (80-120% of median)	1,128	21.0%
Upper (over 120% of median)	1,849	34.4%
Totals	5,374	100%
Housing Information	Count	%
Owner Occupied Units	4,498	50%
Rental Units	878	10%
Vacant Units <u>1/</u>	3,541	40%
Totals	8,917	100%

Data source: 1990 U.S. Census data

1/ The percentage of vacant units are high due to inclusion of cottages and hunting camps, which are not occupied throughout the year.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

This evaluation covers activity from October 1995 to October 1998. Overall, HNB addresses the community credit needs in a manner consistent with its size, resources, and capabilities.

Loan to Deposit Ratio

- **The bank’s loan to deposit ratio is reasonable and demonstrates its willingness to lend.**

The bank’s average loan to deposit ratio for the past eight quarters was 70.2 percent. In 1997, the bank originated 78 loans secured by residential mortgages (consumer purpose) totaling about \$2.1 million. In 1998, originations increased to 123 loans totaling \$4.4 million. The bank also originated 155 commercial loans in 1997 and 1998 totaling \$5.7 million, which were almost all to small businesses.

Lending in Assessment Area

- **A substantial majority of HNB’s lending is within its assessment area. Huron National Bank has addressed lending needs throughout the community.**

Table 2 shows the bank has originated a substantial majority of it’s loans within its assessment area. A sample of 101 loans originated in 1997 and 1998, as described below, showed that 95 percent of these loans were made to borrowers located within the bank’s assessment area.

Table 2 Lending Inside and Outside of Assessment Area					
Loan Product	# Loans in Sample	Loans in Assessment area		Loans outside Assessment area	
		#	%	#	%
1-4 Family Real Estate Mortgages (includes consumer loans secured by 1-4 Family Real Estate Mortgages)	59	57	97%	2	3%
Commercial	42	39	93%	3	7%
Total	101	96	95%	5	5%

Data Source: Bank loan files

Geographic Distribution of Loans

- **Huron National Bank’s distribution of loans is adequate.**

Overall, loan activity is concentrated in and around Rogers City, the largest city in the county, where the only branch is located. A sample of 1-4 family mortgage loans, representing approximately 30 percent of total originations in 1997 and 1998, disclosed that 64 percent of the loans were made to residents with a Rogers City zip code (which includes areas outside of the city limits). Another 32 percent were made in other areas throughout the county, with 3 percent made outside the county.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

- **Huron National Bank has shown a reasonable level of extending credit to borrowers of all income levels.**

1-4 Family Mortgage Lending (consumer purpose loans)

As shown in Table 3, HNB lends to a wide variety of borrowers with varying income levels. Loans made to low and moderate income borrowers represented about 43 percent of the loans originated, based on the sample taken. This is acceptable as compared to the demographic data in Table 3 for Presque Isle county, which shows about 44 percent of the households have low to moderate incomes. Lending to middle income borrowers represented the largest percentage of the banks lending.

Table 3								
1-4 Family Real Estate Mortgages Originations (all consumer purpose)								
# Loans in Sample which included current income information	Loans to Low Income Borrowers		Loans to Moderate Income Borrowers		Loans to Middle Income Borrowers		Loans to High Income Borrowers	
	#	%	#	%	#	%	#	%
47	5	11%	15	32%	17	36%	10	21%
Demographic Data on Presque Isle County								
# of Households	Low Income Households		Moderate Income Households		% Middle Income Households		High Income Households	
	#	%	#	%	#	%	#	%
5374	1,521	28.3%	876	16.3%	1,128	21%	1,849	34.4%

Data Source for Origination Data: Bank loan files. (Note: 12 additional loans were sampled that did not included current income, defined as 1996 or more recent data. The income distribution of these borrowers is assumed to be similar to the characteristics of the borrowers for which current income data was available based on additional information provided by bank management.)

Data Source for Demographic Data: 1990 U.S. Census Data

Small Business Lending

Huron National Bank is also active in small business lending. Huron National Bank originated 155 commercial loans totaling \$5.7 million in 1997 and 1998, all of which were under \$1 million. Of the 155 loans, 113 or \$4.6 million were originated in 1998.

A sample of 42 commercial loans originated in 1997 and 1998, disclosed 60 percent of the loans were made to businesses with a Rogers City zip code, 33 percent were made in other areas in Presque Isle county, and 7 percent were made outside the county.

Table 4 below shows the sample of 1997 and 1998 originations disclosed only one business had sales over \$1 million. Through discussions with management and review of information in the files, it was determined that the remainder of the loans were made to small businesses.

Table 4							
Year	# of Loans Sampled	Sales Under \$1 Million		Sales Over \$1 million		No Info	
		#	%	#	%	#	%
1997	11	4	36%	0	0%	7	64%
1998	31	14	45%	1	3%	16	52%

Data Source: Bank loan files.

Fair Lending

- We did not identify any violations of the anti-discrimination laws and regulations during our examination. In addition, the bank received no complaints regarding its fair lending activities.