



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 03, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of New Richmond
Charter Number 11412**

**109 East Second Street
New Richmond, WI 54017**

**Comptroller of the Currency
Minneapolis South Field Office
1310 West Clairemont Avenue Suite 100
Eau Claire, WI 54702**

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

<u>INSTITUTION'S CRA RATING</u>	2
<u>DESCRIPTION OF INSTITUTION</u>	2
<u>DESCRIPTION OF ASSESSMENT AREA</u>	3
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	4

INSTITUTION'S CRA RATING

This institution is rated Outstanding.

The First National Bank of New Richmond's lending performance is good. The bank is an active lender in its assessment area. A substantial majority of loans are made in the assessment area. Loans are made to individuals of different income levels and businesses of diverse revenue size. The bank's performance in originating home purchase and refinance loans is especially strong.

- The bank's performance in originating home loans was near the demographic for low-income families and exceeded the demographic for moderate-income families.
- The First National Bank of New Richmond lead all community banks in originating loans reportable under the Home Mortgage Disclosure Act (HMDA) in St. Croix County in 2000.
- The First National Bank of New Richmond's loan-to-deposit ratio performance is augmented by the bank's high volume of home loans sold to the secondary market.
- The bank originated a substantial majority of its home and business loans in the assessment area. Home and business loans are the bank's primary loan types.

DESCRIPTION OF INSTITUTION

The First National Bank of New Richmond's main office is located in New Richmond, Wisconsin. The bank has two branch offices, one west of its main office in Somerset and the other southwest of its main office in Hudson. All three offices are located in St. Croix County Wisconsin. Each office has a deposit accepting ATM accessible 24-hours a day. The bank also operates three in-store cash dispensing ATMs. The bank is primarily a home and business lender. The total assets of the bank were \$94 million as of September 30, 2001.

As of September 30, 2001, business loans accounted for 40% of total outstanding loans, residential real estate loans 33% (does not include loans sold to secondary market), consumer loans 16%, construction and land development 9%, and agricultural loans 2%. Total outstanding loans equal \$67 million, or 71% of total assets, as of September 30, 2001.

The First National Bank of New Richmond is owned by a closely held bank holding company, One Corporation. The bank does not have any affiliates engaged in activities that impact the bank's CRA performance. The bank opened its Hudson office in 1999. There have been no other changes in corporate structure since the last CRA examination.

There are no legal impediments or other factors, including the financial condition of the bank, that limit its ability to meet the credit needs of its assessment area. The bank's last CRA evaluation was November 21, 1996. The bank was rated satisfactory at that time.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area is St. Croix County Wisconsin. St. Croix County is located at the eastern edge of the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). Opportunities exist to lend to homeowners and businesses in the assessment area because of growth.

The assessment area is economically prosperous. The population of St. Croix County is growing, especially in the western half that is closer to Minneapolis/St. Paul. Unemployment is low in the MSA and the county, 3.3% and 3.6% respectively as of October 31, 2001. The MSA's 2001 updated median family income is \$74,700 compared to \$43,063 based on 1990 census data. St. Croix County 2000 census data shows an increase in population to 63,155 from 50,251 in 1990 and an increase in the rate of homeownership from 71% in 1990 to 76% in 2000. Both the local housing market and the broader MSA housing markets are considered strong.

One new community contact and four existing contacts were considered in evaluating the credit needs of the assessment area. Community contacts did not mention any unmet credit needs. The new contact, a local economic development authority, described how the county is physically and economically developing from west to east because of the proximity to Minneapolis/St. Paul. The eastern half of the assessment area remains more agricultural oriented and less dependent on Minneapolis/St. Paul for jobs and services.

All of the larger communities in the county have multiple banking offices, for example: Hudson, New Richmond, and Baldwin and some of the smaller communities such as Woodville and Glenwood have at least one banking office. Competition for banking services in the assessment area is considered high. A total of thirteen banks (or savings associations) maintain offices in the county, including six that are part of billion dollar banking companies.

The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. Table 1 below shows the assessment area composition by census tract income level based on 1990 census data, and Table 2 shows family income level based on 2001 updated MSA median family income of \$74,700.

Table 1: Assessment Area by Income Level	Number of Census Tract	Percent of Census Tract
Low Income	0	0%
Moderate Income	2	20%
Middle Income	8	70%
Upper Income	1	10%

Table 2: Family Income Level	Percent of Families
Low Income	17.56%
Moderate Income	19.75%
Middle Income	27.51%
Upper Income	35.18%

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The First National Bank of New Richmond's loan-to-deposit ratio is more than reasonable considering the bank's high volume of home loans sold to the secondary market. The bank's quarterly average loan-to-deposit ratio since its last CRA examination is 79% compared to an average of 83% for all similarly situated banks over the same time period. Similarly situated banks are those operating primarily in St. Croix County with total assets less than \$300 million.

The bank's loan-to-deposit performance is stronger than indicated by its loan-to-deposit ratio alone. In 2000, the bank sold \$11,323,000 in home loans to the secondary market that are not reflected in the bank's loan-to-deposit ratio. The bank sold more loans to the secondary market than any other similarly situated bank in 2000. The bank is a leader in originating home loans in its assessment area ranking behind only much larger financial institutions in originating home loans reportable under the HMDA.

Lending in Assessment Area

The bank's record of lending in the assessment area is good. The bank originates a substantial majority of its home and business loans in the assessment area. All HMDA home purchase and refinance loans from January 1, 1997 through November 30, 2001, and a random sample of 20 business loans over the same time period were evaluated. Table 3 below shows the number and dollar (in thousands) of loans in our analysis that were in the bank's assessment area.

Table 3: Primary Loan Type	In Assessment Area:		In Assessment Area:	
	by Number	% of Number	by Dollar	% of Dollar
Home Purchase	326	78.18%	33,303	78.85%
Home Refinance	739	79.46%	72,496	80.06%
Total Home Loans	1,065	79.06%	105,799	79.68%
Business Loans	18	90.00%	1,393	93.43%

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

The First National Bank of New Richmond's distribution of loans in the assessment area to individuals of different levels and businesses of different revenue size is good. Overall, home lending performance is considered strong. The bank's distribution of both home purchase and refinance loans is near the demographic for low-income families and exceeds the demographic for moderate-income families. The bank's distribution of loans to businesses with annual revenue less than \$1 million is considered reasonable as it approximates the demographic for the same. The bank lends to businesses of diverse revenue size as shown in Table 6.

Table 4 below shows the bank's distribution of home purchase loans to borrowers of different income levels versus the percent of families in the assessment area by income level. Table 5 below shows the bank's distribution of home refinance loans to borrowers of different income

levels versus the percent of families in the assessment area by income level. The data was compiled from 1997 through November 2001 HMDA reports.

Table 4: Borrower Income Level	By % of Number	By % of Dollar	% of Families in Assessment Area
Low	15.34%	9.41%	17.56%
Moderate	33.44%	29.75%	19.75%
Middle	34.66%	38.67%	27.51%
Upper	16.56%	22.17%	35.18%

Table 5: Borrower Income Level	By % of Number	By % of Dollar	% of Families in Assessment Area
Low	13.13%	8.30%	17.56%
Moderate	26.66%	21.94%	19.75%
Middle	35.31%	36.78%	27.51%
Upper	24.90%	32.98%	35.18%

Table 6 below shows the bank's distribution of business loans by the gross annual revenue size of the borrower. Data was derived from a random sample of 20 business loans totaling \$1,804,000 originated in the bank's assessment area between January 1, 1997 and November 30, 2001. The bank originated 539 business loans in that time period approximating \$50 million.

Table 6: Revenue Size of Business	By % of Number	By % of Dollar	% of Businesses in Assessment Area
< \$100 Thousand	25%	17.96%	85.66% Revenue < \$1 Mil.
\$100 - \$250 Thousand	10%	15.69%	
\$250 - \$500 Thousand	20%	25.00%	
\$500 Thousand - \$1 Million	10%	12.75%	
\$1 - \$5 Million	30%	14.80%	8.65%
> \$5 Million	5%	13.80%	Revenue > \$1Mil.
Not Reported	0%	0%	5.69%

Geographic Distribution of Loans

Performance context impacted the weight that was placed on geographic distribution. Less weight was placed on this performance measure because there are no low- or moderate-income geographies near the bank's offices. The banking environment in the assessment area is very competitive. A total of 13 banks and savings associations have offices in the assessment area. Four of these financial institutions have offices in moderate-income geographies in the assessment area.

The bank's geographic distribution of home loans is reasonable. By number, 2.45% of the bank's home purchase and 2.03% of home refinance loans are in moderate-income geographies. Per the 2000 census, for which income figures have not yet been released, these geographies contain 9.38% of the assessment area's owner occupied housing. By dollar, 2.46% of the bank's home

purchase and 2.25% of home refinance loans are in moderate-income geographies. This data was compiled from 1997 through November 2001 HMDA reports.

None of the 20 commercial loans sampled were originated in moderate-income geographies. For performance context reasons this lack of penetration is considered reasonable. The bank originates most of its business loans near its offices. For example, 90% of the business loans in the assessment area that were sampled are located in a community where the bank has an office. A lack of business loans in communities more distant from the bank was a consistent finding in the sample regardless of the income level of the geography.

Responses to Complaints

There have been no CRA related complaints against the bank.

Fair Lending Review

An analysis of 2000 HMDA data, public comments, and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the 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 1996.