



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**July 23, 2001**

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

**First National Bank  
Charter Number 23581**

**109 South Walnut Street  
La Crescent, MN 55947**

**Comptroller of the Currency  
ADC - Sheila Van Ornum  
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.**

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

First National Bank's (FNB) performance of lending in its assessment area is satisfactory and the bank's loan-to-deposit ratio is good in comparison to other similarly situated banks. The bank's distribution of consumer loans is good in relation to the demographics of the assessment area.

- By number, 90% of the bank's unsecured consumer loans were made within the assessment area.
- The bank's average quarterly loan-to-deposit ratio of 93 percent ranked it the second highest among 10 banks operating in the assessment area.
- The bank's consumer lending distribution was better than the assessment area demographics for loans made to low- and moderate- income consumers living in the assessment area. 25 percent of loan originations were to low-income consumers and 25 percent were to moderate-income consumers. This compares with a demographic of 13 percent low-income and 17 percent moderate-income households.
- The bank has not received any CRA related complaints.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$7 million bank, with one office located in La Crescent, Minnesota. The office offers traditional banking products and services including a drive-up facility and ATM access. FNB also offers banking services to its customers through its affiliate bank, State Bank of La Crosse, La Crosse, Wisconsin.

Total outstanding loans equaled \$3.2 million or 39 percent of total assets as of December 31, 2000. The loan portfolio is comprised of residential real estate loans (\$1.7 million), other real estate loans (\$684M), commercial loans (\$518 thousand) and individual loans (\$254 thousand.) The bank is primarily a consumer lender. Based on total number of loans originated since the bank opened in February 2, 1998, consumer loans accounted for 65 percent and commercial loans and commercial loans purchased accounted for 35 percent.

FNB is owned by First Bancorporation, Inc., a \$290 million closely held two-bank holding company located in La Crosse, Wisconsin. The affiliate bank is the State Bank of La Crosse with \$275 million in assets. FNB does not have any affiliate relationships that impact the bank's CRA performance. There are currently no legal impediments or other factors, including the financial condition of the bank, which limit its ability to meet the credit needs of its assessment area. This is the bank's first CRA evaluation since opening for business. The evaluation period used for the Public Evaluation is from February 2, 1998 through December 31, 2000.

## DESCRIPTION OF ASSESSMENT AREA

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate- income geographies. FNB's assessment area is located in northern Houston County and southern Winona County and is mostly situated in the La Crosse, Wisconsin-Minnesota Metropolitan Statistical Area (MSA). The bank includes the three northern census tracts of Houston County, census tract numbers 201, 202, 203 and the southeastern Block Number Area (BNA #9708) of Winona County. The assessment area does not extend substantially beyond the MSA boundary, as the BNA is adjacent to the MSA. Although the bank in practice makes loans to customers in the southern part of the BNA, the entire block is included in the assessment area as required. Because the volume of loans by number and dollar in the BNA is limited, the MSA and nonMSA areas were combined for this examination.

The assessment area is economically sound. The communities within the assessment area comprise several of the bedroom communities of La Crosse, Wisconsin. According to 1990 census information updated for 2000, there are 17,503 people living in the assessment area. Median housing value is \$59,591. Annual average unemployment for the assessment area is low at 2.48 percent. This compares favorably with average unemployment for the state of Minnesota of 3.3 percent. Employment is diversified with the highest level of employment in the retail, services, and manufacturing sectors. Many residents work in La Crosse, Wisconsin. One of the largest employers is Trane, Inc. which is a manufacturer of air conditioning components. Owner occupancy is high at 77 percent of residential housing and vacancy of rental property is low at 5 percent.

FNB operates in a very competitive environment. The bank competes with 10 other peer institutions within the assessment area. These institutions range in size up to \$393 million in assets. FNB, with \$7 million in assets, is the smallest institution in the peer group. Banking services are also available in La Crosse, Wisconsin, which is the economic center for the area.

One new community contact and 2 existing contacts were considered in evaluating the credit needs of the assessment area. The new community contact was made with the La Crescent Chamber of Commerce. They indicated that there are a limited number of opportunities for banks to lend in La Crescent. The state of Minnesota is planning to rebuild the highway through town. The highway project will eliminate several businesses. Because the local geography of the bluffs and the river limits the amount of developable land within town, these businesses may not be able to rebuild. Once the highway project is completed banks may be able to offer some sort of lending program to help rebuild commercial properties.

Table 1 below shows assessment area composition by census tract income level based on 1990 census data. Table 2 below shows the combined family income level based on 2000 HUD updated MSA median family income of \$48,200. The weighted average median family income from 1990 was \$36,191.

<b>Table 1. Assessment Area by Income Level</b>	<b>Number of Census Tract</b>	<b>Percent of Census Tract</b>
Low Income	0	0.00%
Moderate Income	0	0.00%
Middle Income	3	75.00%
Upper Income	1	25.00%
NA	0	0.00%

<b>Table 2. Household Income Level</b>	<b>Percent of Households</b>
Low Income	17.84%
Moderate Income	12.70%
Middle Income	18.94%
Upper Income	50.55%

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

FNB's loan-to-deposit ratio is satisfactory. FNB's average quarterly loan-to-deposit ratio since the bank opened for operations was 93 percent. The bank's quarterly loan-to-deposit ratio ranged from 33 percent to 207 percent during the assessment period of February 2, 1998 to December 31, 2000 and covered twelve quarters of operation. The bank's loan-to-deposit ratio was the second highest among similarly situated banks located within the assessment area. FNB is the smallest bank when comparing deposit and asset size. Peer banks had total assets of less than \$393 million and had quarterly loan-to-deposit ratios that ranged from 57 percent to 110 percent, with average quarterly loan-to-deposit ratios that ranged from 61 percent to 96 percent.

### **Lending in Assessment Area**

FNB's record for lending in its assessment area is satisfactory. The bank originated 90 percent by number and 89 percent by dollar of its loans within its assessment area. The bank's ratio of lending within the assessment area was calculated from its primary loan type, personal unsecured lines of credit. Personal unsecured lines of credit was selected as the bank's primary loan type based on the number of loan originations during the assessment period. The bank originated 40 personal lines of credit. There were no purchased loans of this product type. We calculated the ratio of loans in the assessment area by taking a random sample of 20 loans originated from the time the bank opened in February 2, 1998 through December 31, 2000. Residential real estate loans were not used as a primary product because the number of loan originations/purchases made within the assessment area would not provide an adequate sample. Commercial loan originations/purchases were eliminated for the same reason, and because commercial loan purchases is not an ongoing strategy.

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

FNB’s distribution of loans in its assessment area to consumers of different income is satisfactory. Table 3 shows the bank’s distribution of consumer loans (personal unsecured lines of credit) to different income levels compared to the demographic for the area. The data was obtained from a random sample of 20 consumer loans originated in the assessment area between February 1998 and December 31, 2000.

<b>Table 3. Annual Income of Borrower</b>	<b>By Number %</b>	<b>By Dollar %</b>	<b>Demographic for Assessment Area</b>
Low Income	25.00%	21.94%	12.64%
Moderate Income	25.00%	22.96%	16.84%
Middle Income	30.00%	27.40%	25.25%
Upper Income	20.00%	22.96%	45.27%

**Geographic Distribution of Loans**

A geographic distribution analysis was not performed because there are no low- or moderate-income census tracts within the assessment area. A geographic distribution analysis would not be meaningful.

**Responses to Complaints**

There have been no CRA related complaints against the bank.

**Fair Lending Review**

An analysis of 1999 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.