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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

October 23, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Community National Bank of Oregon  
Charter Number: 16604  
733 North Main Street  
Oregon, Wisconsin 53575**

**Office of the Comptroller of the Currency  
744 North 4th Street, Suite 626  
Milwaukee, Wisconsin 53202**

**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 Community National Bank of Oregon prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of October 23, 1997. 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 **Satisfactory** record of meeting community credit needs.

Community National Bank of Oregon's (CNB) average loan-to-deposit ratio is satisfactory at 71.58%. The bank's lending within its assessment area is high, as 87% of new mortgage loans and 88% of business loans were extended within the bank's assessment area. CNB's loan distribution to borrowers of different incomes is reasonable, and distribution by geography is good.

## **DESCRIPTION OF INSTITUTION**

Community National Bank (CNB) had total assets of \$79 million, as of June 30, 1997. Loans comprise \$52 million (66%) of the bank's total assets. CNB's loan portfolio is broken down as follows: \$40 million in mortgage loans (77%), \$9 million in commercial loans (17%), and \$3 million in individual and other loans (6%). CNB's primary focus is residential lending. The bank has one branch that is also located in the city of Oregon. The bank has no legal impediments that would hinder meeting the needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

CNB's assessment area is composed of five census tracts (105-107, 124, 125) that surround the city of Oregon. Oregon is located 10 miles south of Madison. Other cities located within the assessment area include: McFarland, Fitchburg, and Brooklyn. All census tracts are located in the Madison Metropolitan Statistical Area (MSA), which consists of the entire Dane county area. Four of the census tracts are middle-income tracts and one census tract is considered a high-income tract (107). CNB's assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas. The median family income for the bank's assessment area is \$46,629 and the median housing value is \$86,257 (based upon 1990 census data).

According to 1990 census data, the population of the bank's assessment area was 27,510. Dane county has a population of 367,085 according to census data. The local economy is stable, with low unemployment and steady population growth. Major employment opportunities in the area are derived from the manufacturing industry and the Oregon School District.

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

CNB's loan-to-deposit ratio is satisfactory even though it is low when compared to peer institutions. CNB has the second lowest loan-to-deposit ratio among its local peer group (22 institutions), which consists of all financial institutions with less than \$250 million in assets located in Dane county. CNB's average loan-to-deposit ratio is 71.58%, based upon the bank's quarterly performance from the January 23, 1995 examination to June 30, 1997. The average range of loan-to-deposit ratios of the peer group is 68.38% to 120.46%. A factor that contributes to CNB's low loan-to-deposit ratio when compared to peer averages is the large volume of real estate mortgage loans sold on the secondary market. Year to date 1997, the bank sold \$5.4 million in the secondary market. For 1996 and 1995, the bank sold \$2.4 million and \$1.9 million, respectively, in the secondary market. Had the bank not sold these loans, its loan-to-deposit ratio would be higher.

The majority of CNB's lending is within its assessment area. Our analysis of the 1996 Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR) indicates that 87% of the number of mortgages and 86% of the dollar amount were originated within the bank's assessment area. A sample of CNB's business loans for the third quarter 1997 indicates that 53 of 60 Loans (88%) and \$2.7 of \$3.1 million (87%) in loans were made within the bank's assessment area in 1996.

CNB originates loans throughout the majority of its assessment area. Based upon the bank's 1996 HMDA-LAR, loans are made within all census tracts, with the exception of census tract 105. Census tract 105 includes the town of McFarland and northward. The bank used to have a branch location in McFarland and continues to include this tract in the assessment area. The bank attributes the lack of real estate mortgage lending in this census tract to competition from other institutions in that area. Our analysis also indicates the following breakdown: ninety-three loans were extended in middle-income census tracts (97%), and three loans were extended in upper-income census tracts (3%) within the bank's assessment area. The bank

does not have any low- or moderate- census tracts in its assessment area.

When comparing CNB's home mortgage lending to its peer group of 22 institutions, the bank ranks second within their assessment area with an overall market share of 6%. Within the overall home mortgage lending category, the bank ranks first for home improvement lending with a 16% market share, third for home purchase lending with a 2% market share, and third in refinance lending with a 4% market share.

CNB has a reasonable distribution of loans to borrowers of different incomes. CNB originated 105 mortgage loans in 1996. Our analysis of the bank's 1996 HMDA-LAR indicated that no loans were made to low-income individuals, 18 were extended to moderate-income individuals (17%), 49 to middle-income individuals (47%), and 38 to upper-income individuals (36%). 1990 Census information indicates that 10% of families in the bank's assessment area are low-income, 17% are moderate-income, 31% are middle-income, and 42% are upper-income.

In our analysis of lending to small businesses and farms we used loan origination amounts as a proxy for gross revenue levels as this information was not readily available. The analysis was based on the assumption that the size of a business or farm loan would approximate the overall size of the business or farm. The following tables show that CNB has a reasonable penetration of loans to businesses of different sizes:

	# Loans Extended	% of Total	\$ Loans Extended	% of Total
Original Amount Under \$100,000	250	78%	\$5,683,000	22%
Original Amount \$100,000 - \$250,000	44	14%	\$6,560,000	26%
Original Amount \$250,000 - \$1 million	27	8%	\$13,378,000	52%

\*The figures were derived from the bank's June 30, 1997 Consolidated Reports of Condition.

The bank's small farm loan portfolio of loans under \$500,000 is broken down as follows:

	# Loans Extended	% of Total	\$ Loans Extended	% of Total
Original Amount Under \$100,000	4	40%	\$205,000	18%
Original Amount \$100,000 - \$250,000	5	50%	\$726,000	65%
Original Amount \$250,000 - \$500,000	1	10%	\$194,000	17%

\*The figures were derived from the bank's June 30, 1997 Consolidated Reports of Condition.

No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.