

## **PUBLIC DISCLOSURE**

**May 24, 1999**

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

**Pioneer National Bank of Ladysmith  
Charter # 11826**

**200 Miner Avenue West  
P.O. Box 169  
Ladysmith, Wisconsin 54848-0169**

**Office of the Comptroller of the Currency  
Minneapolis South Field Office  
P.O. Box 8187  
Eau Claire, Wisconsin 54702-8187**

**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.

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## 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 **Pioneer National Bank of Ladysmith** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 24, 1999**. 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**. The bank originates a substantial majority of its loans to borrowers within its assessment area. The distribution of loans to borrowers of different income levels and businesses of different sizes is consistent with the demographics of the community. The average loan-to-deposit ratio of the bank is satisfactory. The bank complies with the provisions of the antidiscrimination laws and regulations and it has received no written complaints associated with its CRA performance.

## Definitions

<b>INCOME DEFINITIONS</b>		
<b>Income Category</b>	<b>Definition</b>	<b>Income Range</b>
Low Income	Incomes that are less than 50 percent of the median family income.	\$0 - \$15,144 (1990) ---- \$0 - \$20,900 (1998)
Moderate Income	Incomes that are at least 50 percent, but less than 80 percent of the median family income.	\$15,145 - \$24,231 (1990) ---- ---- \$20,901 - \$33,000 (1998)
Middle Income	Incomes that are at least 80 percent, but less than 120 percent of the median family income.	\$24,232 - \$36,347 (1990) ---- ---- \$33,001 - \$49,800 (1998)
Upper Income	Incomes that are 120 percent or more of the median family income.	\$36,348 or more (1990) ---- \$49,801 or more (1998)
1990 Census Bureau Non-Metro Wisconsin Median Family Income	\$30,290	
1998 HUD Estimated Non-Metro Wisconsin Median Family Income	\$41,800	

### **Other definitions:**

*Median Family Income:* The median family income (MFI) as determined by the United States Census Bureau every ten years and is used to set the income level category of census tracts.

*Estimated Median Family Income:* The median family income for non-metropolitan statistical areas that is updated annually by the United States Department of Housing and Urban Development (HUD).

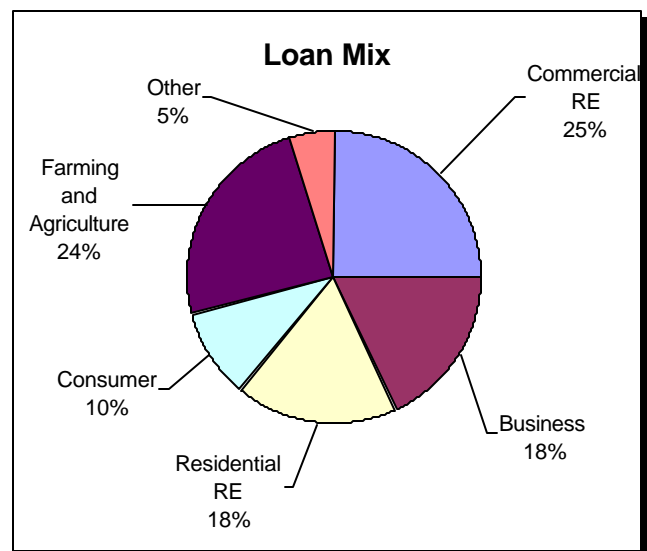
*Small Business:* A business with annual revenues of less than \$1 million.

## Description of Institution

Pioneer National Bank of Ladysmith ("*Pioneer National*" or the "*bank*") is an independent commercial bank headquartered in Ladysmith, Wisconsin. The bank, chartered in July 1920, operates from a single location at 200 Miner Avenue West, Ladysmith, Wisconsin, which is geographically centered in Rusk County. The Ladysmith Insurance Agency and the Flambeau Trading Company, Inc. are wholly owned bank subsidiaries. The bank is 100% owned by Pioneer Acquisition Corporation, a one bank holding company in Ladysmith. Pioneer National provides traditional loan and deposit products and services to consumers and small businesses. While the bank does not have automated teller machines (ATM), its drive-up window is open on Saturdays.

The bank has a history of complying with the Community Reinvestment Act. We rated the bank's CRA performance "Satisfactory" at our last evaluation, dated April 23, 1996. Pioneer National has no financial or legal impediments that affect its ability to help meet the credit needs within its assessment area. As of the bank's March 31, 1999 Statement of Condition, it has \$47 million in total assets, \$42.5 million in deposits and other liabilities, and \$4.7 million in capital.

The bank's loan portfolio, which totals \$22.2 million or 47.03 percent of total assets, primarily comprises commercial real estate loans (25 percent), farming and agricultural production loans (24 percent), business loans (18 percent), residential real estate loans (18 percent), and consumer loans (10 percent). The bank participates in the Wisconsin Housing and Economic Development Authority's "First Time Home Buyer's Loan Program," which helps low- and moderate-income families buy homes.



The economic base of the area is diverse, but limited. Currently experiencing modest growth, the local economy is influenced by a history of limited employment opportunities, low wages and high unemployment. The area economy is primarily dependent on durable goods manufacturing, farming and forestry. The tourist industry is beginning to develop, but remains behind neighboring counties. Major employers include Artisans Silk Screening, Rusk County Memorial Hospital, Mount Scenario College, Weather Sheild Manufacturing, Norco Windows, and area school districts.

## Description of the Assessment Area

The bank has one assessment area for CRA purposes, which includes all of Rusk County. Rusk County is not part of a metropolitan statistical area. It is primarily rural, consisting mostly of dairy farms, row crops, and light manufacturing. The assessment area is further subdivided into five block-numbering areas (BNA).

One BNA is designated middle-income while the remaining four BNAs are designated moderate-income (see Table 1 for details). The bank's assessment area meets the regulatory requirements and it does not arbitrarily exclude any low- and moderate-income areas.

According to the 1990 U.S. Census, the assessment area population is 15,079. The HUD estimated the 1998 median family income is \$41,800. About 52 percent of Rusk County's 5,676 households are low-to-moderate income, including 17 percent below the poverty level. Rusk County's unemployment rate continues to rank among the highest in Wisconsin, ranging from 5 percent to 10 percent between 1990 and 1998. This also contributed to the lower income levels.

Of the 7,376 people employed in the assessment area, 1,750 are employed by manufacturing firms. The assessment area is home to some 504 businesses with 378 (75 percent) of them having annual sales of less than \$1 million.

Moderate competition is provided by area banks, credit unions, savings banks, and branches of larger regional banks. There are twenty-four banks located in Rusk and the six surrounding counties, varying in size from \$20 million to \$300 million. Competition for residential real estate mortgages is strong. Area credit union and savings bank offices provide competition for consumer and residential loans.

Community contact information provided during the examination disclosed no unmet credit needs. Community credit needs include affordable housing, small business and consumer loans.

ASSESSMENT AREA CHARACTERISTICS				
Income Level	Number of BNAs	Percentage of Total BNAs	Number of Families	Percentage of Families
Low	0	0%	1,119	28%
Moderate	4	80%	1,027	25%
Middle	1	20%	964	24%
Upper	0	0%	939	23%
Total	5	100%	4,049	100%

**Table 1**

Source: Demographic Data - 1990 U.S. Census

<b>BLOCK NUMBERING AREA CHARACTERISTICS</b>				
<b>Block Numbering Area</b>	<b>Income % of MFI</b>	<b>Housing Units</b>	<b>Number of Businesses</b>	<b>Number of Farms</b>
9601 - Flambeau, Dewey, Hawkins, True, Thornapple, Hubbard	84% Middle-Income	1,833	69	3
9602 - Atlanta, Rusk, Murry, Strickland, Weyerhaeuser, Wilson	76% Moderate-Income	1,186	28	4
9603 - Bruce, Stubbs, Big Bend, Thornapple, Washington	72% Moderate-Income	1,755	93	6
9604 - Grant, Marshall, Grow, Willard, Sheldon, Thornapple	70% Moderate-Income	1,294	55	16
9605 - Ladysmith, Flambeau, Grant	76% Moderate-Income	1,836	259	3
Total		7,904	504	32

**Table 2**

Source: Demographic Data - 1990 U.S. Census

## **Conclusions with Respect to Performance Criteria**

Our evaluation of the bank's lending performance is based upon loans originated or renewed since our last evaluation. Since management does not prepare reports summarizing loan distribution patterns, we selected a random sample of 20 residential real estate and 17 business loans.

### **Lending in the Assessment Area**

Overall, lending levels reflect adequate responsiveness to community credit needs. Based on our random samples, the bank originated a substantial majority of residential real estate loans (85 percent by number, 88 percent by dollar) and commercial/commercial real estate (business) loans (76 percent by number) to borrowers within the assessment area.

### **Geographic Distribution of Loans**

The geographic distribution of sampled loans within the assessment area is reasonable. Of the total residential real estate loans we sampled, 85 percent of the number and 79 percent of the dollar volume were to borrowers residing in moderate-income block numbering areas, where 76 percent of the population lives. The bank's geographic distribution of residential real estate loans is similar to the demographic composition of the assessment area (*see Table 3 for details*).

The small size of the bank coupled with its single-office operation limits its ability to serve its entire assessment area. No loans in our sample were to borrowers in BNA #9602 (moderate-income), which is located in the outer portion of the assessment area. While the CRA does not expect banks to make loans in every census tract or BNA in their assessment areas, Pioneer National did a satisfactory job of making loans to borrowers that live within close proximity to the bank. Additionally, the assessment area contains branches of several other financial institutions that also help to meet the credit needs within the assessment area.

ASSESSMENT AREA GEOGRAPHIC DISTRIBUTION						
Income Level of BNA	Population		Penetration by Number of Loans		Penetration by Dollar Amount of Loans	
	Number	Percent	Number	Percent	(000's)	Percent
Low	0	0%	0	0%	\$0	0%
Moderate	11,430	76%	17	85%	\$771	79%
Middle	3,649	24%	3	15%	\$201	21%
Upper	0	0%	0	0%	\$0	0%
Total	15,079	100%	20	100%	\$972	100%

**Table 3**

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

#### *Lending to Borrowers of Different Incomes*

Lending to borrowers of different income levels is satisfactory. Based on our sample, the number and percentage of loans to low- and moderate-income borrowers is similar to the percentage of low- and moderate-income families living in the assessment area. In addition, the distribution at other income levels is satisfactory (See Table 4 for details).

DISTRIBUTION OF LOANS TO BORROWERS OF DIFFERENT INCOME LEVELS						
Income Level of Borrower	Families in the Assessment Area		Number of Mortgage Loans		Dollar Amount of Mortgage Loans	
	Number	Percent	Number	Percent	(000's)	Percent
Low	1,119	28%	3	15%	\$107	11%
Moderate	1,027	25%	8	40%	\$302	31%
Middle	964	24%	4	20%	\$157	16%
Upper	939	23%	5	25%	\$406	42%
Total	4,049	100%	20	100%	\$972	100%

**Table 4**



### *Lending to Businesses of Different Sizes*

Lending to businesses of different sizes is satisfactory. Based on our random sample of 17 business loans, the bank originated 65 percent of the number of business loans to small businesses. Additionally, 47 percent of the sampled loans were in amounts of \$250,000 or less.

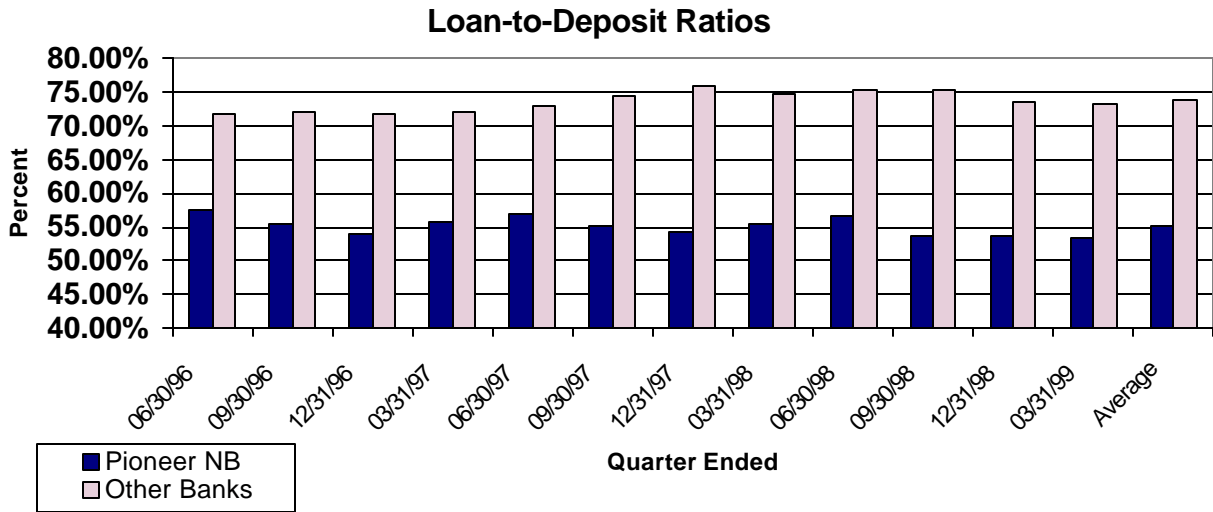
<b>LOANS TO BUSINESSES OF DIFFERENT SIZES</b>		
<b>Business Revenue</b>	<b>Number of Loans Sampled</b>	<b>Percentage of Loans Sampled</b>
\$1 Million or less	11	65%
Over \$1 Million	6	35%
Total	17	100%

**Table 5**

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

The average loan-to-deposit (LTD) ratio of the bank is low but reasonable given its market characteristics and competition. We calculated the quarterly average LTD ratio since the last CRA evaluation. Between June 30, 1996, and March 31, 1999, the twelve-quarter average loan-to-deposit ratio is 55 percent. The average LTD ratio for the 24 commercial banks with headquarters in the seven surrounding counties is 74 percent. The seven counties include Barron, Chippewa, Price, Rusk, Sawyer, Taylor, and Washburn. As *Figure 3* shows, the bank's LTD ratio has remained stable over the past several years, but consistently below the group average.

According to discussions with management, the lower LTD ratio is primarily due to low loan demand in Rusk County compared to the surrounding counties that have seen increased loan demand for development of lakefront properties. Additionally, several of the banks in the peer group are affiliated based on common ownership. The affiliations may allow those banks to sell loans to each other as loan demand shifts from market to market. The bank has sold residential real estate loans to the secondary market, which are not included in the LTD ratio of the bank. These activities show additional efforts on the bank's part to meet the credit needs within the assessment area. During 1998, the bank sold six residential real estate loans in the secondary market totaling \$436 thousand.



**Figure 3**

### Discriminatory Practices

Federal law requires banks to collect certain information from loan applicants in complying with antidiscrimination laws and regulations of the Equal Credit Opportunity Act and the Fair Housing Act. Using that information, we found no evidence of discrimination or disparate treatment. We performed a comparative file analysis of consumer automobile loans, using unmarried females as the prohibited basis group and unmarried males as the control group. Our review included all automobile loans made between October 1998 and May 1999. We compared the rates, terms, and other underwriting criteria for all loans to determine if the bank gave any preferential treatment to members of the control group. As previously stated, we found no evidence of discrimination or disparate treatment.

### Review of Complaints

The bank has not received any written complaints associated with its CRA performance.

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