



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 11, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank in Wadena
Charter Number: 12507**

**25 S.W. Bryant Street, P.O. Box 111
Wadena, Minnesota 56482**

**Office of the Comptroller of the Currency
Alexandria Duty Station
1309 Highway 29 North, P. O. Box 849
Alexandria, Minnesota 56308**

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 **The First National Bank in Wadena** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 11, 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**.

The First National Bank in Wadena has a reasonable loan-to-deposit ratio and extends a majority of their loans in their assessment area. The bank has a good record of extending credit to businesses and farmers of different sizes.

The following table indicates the performance level of *The First National Bank in Wadena* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	THE FIRST NATIONAL BANK IN WADENA PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank in Wadena is a \$37 million institution in Wadena, Minnesota. The bank is 96% owned by The First National Agency of Wadena, Inc., a one-bank holding company. The bank does not operate any branch locations but does have an automatic teller machine located in the Wadena Super Value grocery store. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

The bank offers a variety of loan and deposit products and services. Using September 30, 1996 financial information, gross loans represent approximately 44% of total assets. The primary lending focus is 1-4 family residential real estate, agricultural and consumer loans. The portfolio consists of 1-4 family residential 31%, agriculture 29%, commercial 24%, consumer loans 14% and other loans 2%. The bank's primary competition consists of a state bank and a savings bank.

The last CRA examination was February 14, 1994 and the bank was rated "Satisfactory". There are no legal or financial impediments limiting the bank's ability to help meet the credit needs of the community.

DESCRIPTION OF THE FIRST NATIONAL BANK OF WADENA'S ASSESSMENT AREA

The bank's assessment area (AA) includes parts of Wadena, Todd and Otter Tail Counties. The population of the AA according to the 1990 census is approximately 24,400. The median family income of the bank's AA is \$23,350 compared to the state average of \$36,200.

The assessment area consists of 6 contiguous Block Numbering Areas (BNA's). The AA was modified slightly to comply with requirements of the CRA and does not arbitrarily exclude low- and moderate-income areas. Three of the BNA's are moderate income and three of the BNA's are middle income. The following table includes a breakdown of family incomes within the bank's AA:

Income Level	% of Population
Low	29%
Moderate	20%
Middle	24%
Upper	27%

The AA is represented by a diverse economy which includes agriculture, manufacturing, tourism, retail and the service sectors. Agriculture represents the largest industry in the area; milk products are the primary output from family farm operations. Major industry includes outdoor patio furniture manufacturing, as well as lumber and wood product production. Wadena also serves as a regional retail and service trade center that draws customers from surrounding communities located within 20 miles.

Community contacts made within the assessment area during the evaluation included the City of Wadena, the Wadena Development Authority and the Wadena Housing Redevelopment Authority. The contacts indicated there are no unmet credit needs in the bank's assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The First National Bank in Wadena's average loan-to-deposit ratio of 47% is adequate given the bank's size, financial condition and lending opportunities in the assessment area. The bank's average ranks second lowest out of 13 banks with under \$50 million in total assets located in Wadena, Otter Tail and Todd Counties. The loan-to-deposit ratios of these 13 institutions range from 40% to 70%. The bank's primary competition has total assets of \$56 million and does not have a notably higher loan-to-deposit ratio; the loan-to-deposit ratio as of September 30, 1996 is 51%.

Lending Inside the Assessment Area

A judgmental sample of the major product lines of loans originated by the bank reveals a majority of its loans are made inside the assessment area. The following table shows the percentage of loans within the assessment area based on total number and amount of each loan category.

Percentage of Loans in the Assessment Area		
Major Product Lines	Total Number of Loans	Total Amount of Loans
Agriculture	71%	70%
Consumer Real Estate	95%	99%
Instalment	79%	77%

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

The First National Bank in Wadena has a satisfactory record of lending to borrowers of different incomes and businesses of different sizes. The following table demonstrates the bank's lending to farms of different sizes. It represents a judgmental sample of 24 agriculture loans totaling \$687,000 extended in 1996. The table illustrates the percentage of number of loans and percentage of dollar volume of loans extended to agricultural borrowers of different sizes:

Annual Sales	Number	Amount
< \$100,000	63%	48%
\$100,000 - \$250,000	38%	52%
\$250,000 and Over	0%	0%

As shown on the next table, the bank made 55% of its consumer real estate loans to low- and moderate-income borrowers. In addition, the bank made 75% of its agricultural loans to low- and moderate-income borrowers. A review of lending to individuals of different income levels could not be completed because the bank does not consistently obtain income information for personal loans.

Distribution Percentage of Loans in the Assessment Area by Borrower Income Level

Loan Type	Low Income	Moderate Income	Middle Income	Upper Income
Consumer Real Estate				
Total Number of Loans	25%	30%	25%	20%
Total Amount of Loans	22%	39%	29%	11%
Agriculture Loans				
Total Number of Loans	50%	25%	25%	0%
Total Number of Loans	51%	21%	28%	0%
% of Total Population	29%	20%	24%	27%

Geographic Distribution of Loans

The distribution of loans throughout the assessment area is reasonable given the demographic characteristics of the assessment area. As discussed earlier, the bank's assessment area includes 3 moderate-income and 3 middle-income BNA's. An analysis of the distribution of agriculture, residential real estate and consumer loans in our sample revealed 52% of the number of loans and 54% of the dollar volume of loans were originated in moderate-income tracts and 48% of the number of loans and 46% of the dollar volume of loans were originated in middle-income tracts.

Record of Compliance with Antidiscrimination Laws

Based on our review, the bank is complying with antidiscrimination laws. No violations of the substantive provisions of antidiscrimination laws and regulations were identified.