



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 21, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**109 E. Second Street, P.O. Box C
New Richmond, Wisconsin 54017**

Office of the Comptroller of the Currency

**Eau Claire Duty Station 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.

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 **First National Bank of New Richmond** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, between October 15, 1993, and September 30, 1996. 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."

First National Bank of New Richmond has a good record of making small business and residential real estate loans in its community. The bank has performed better than other lenders (in aggregate) in originating residential real estate loans to low and moderate income individuals.

The following table indicates the performance level of First National Bank of New Richmond with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF NEW RICHMOND 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 CRA examination.		

DESCRIPTION OF INSTITUTION

First National Bank of New Richmond (FNB) is a \$54 million financial institution located in West Central Wisconsin, close to the Wisconsin-Minnesota border. The main office in the City of New Richmond and the branch office in Somerset are located in middle income geographies. Both offices have drive-up facilities and automated teller machines. One Corporation, a one bank holding company owns FNB. The bank offers a wide range of conventional and government-sponsored loan products. Its \$37 million loan portfolio consists of commercial (46%), residential (39%), consumer (12%) and agricultural (3%) loans. There are no financial, legal or other factors which impede the bank's ability to meet its CRA obligations.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of St. Croix County. The assessment area includes ten census tracts and complies with regulatory requirements. St. Croix County is part of the Minneapolis/

St. Paul metropolitan statistical area (MSA). Based on 1990 census data, two geographies in the assessment area are moderate income, seven geographies are middle income and one geography is upper income. The Department of Housing and Urban Development's 1996 estimate of median family income for the Minneapolis/St. Paul MSA is \$54,600. Of the 13,364 families in the assessment area, 18% are low income, 20% are moderate income, 27% are middle income and 35% are upper income.

St. Croix County is one of the fastest growing counties in the state. The population (50,251) has more than doubled in the last 50 years. The growth is largely attributable to the county's proximity to Minneapolis and St. Paul, Minnesota (Twin Cities). Population growth has led to increased non-farm residences in rural areas. A majority of the population (59%) is rural non-farm; 32% is urban and 9% is rural farm. In 1990, 39% of all employed persons in the county commuted to the Twin Cities for work.

St. Croix County's economy is strong due to the economic linkage with the Twin Cities, but disparities exist. In the western half of the county (including the geographies where FNB has offices), the economy is prosperous, diversified and growing. The eastern edge of the county is predominantly agricultural and economically stagnant. As a whole, St. Croix County has substantially higher income and lower unemployment than regional, state or national averages. Manufacturing comprises the largest portion of employment, with wholesale/retail trade a close second. The manufacturing base is diversified and consists of numerous small to medium-sized companies. Services, government and agriculture are also strong contributors to the economy. Dairy farming is the predominant farming activity.

DESCRIPTION OF INSTITUTION - Continued

St. Croix County has the highest median housing value (\$74,400) in West Central Wisconsin. It is also higher than state average (\$62,600). Between 1980 and 1990, the county's median housing value increased 36%.

Competition among financial institutions is healthy. Approximately 16 banks, savings institutions and credit unions have offices in St. Croix County.

Community contacts conducted by regulators within the last two years include two government officials and one community development agency. Community credit needs include low income housing, housing rehabilitation and small business loans. Local financial institutions, including FNB, offer a variety of credit products to meet these needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNB's loan to deposit ratio is good. Since the previous CRA examination in October 1993, the bank's average quarterly loan to deposit ratio is 72%. The average for similarly situated banks¹ over the same period is 77%. Noteworthy items, not reflected in the loan to deposit ratio, are secondary market real estate loan originations and off balance sheet loan commitments.

FNB ranks fourth in the estimated number of secondary market real estate closings between November 1995, and September 1996, based on information provided by St. Croix County Register of Deeds. The bank's secondary market loan sales totaled \$3 million in 1994, \$2.7 million in 1995 and \$4.5 million for the first six months of 1996. FNB's unfunded loan commitments total over \$5 million at June 30, 1996. Since the previous CRA evaluation in October 1993, off-balance sheet loan commitments have averaged over \$3 million.

The table at the top of the next page depicts individual lending activity for similarly situated banks. It also estimates the affect of secondary market loan sales and off-balance sheet loan commitments on each bank's loan to deposit ratio. Consideration of these factors improved FNB's ranking from sixth place to fourth place in this group of similarly situated banks.

¹ Defined as national or state chartered banks with: total assets less than \$250 million; real estate loans greater than 50% of total loans; and branch(es) in St. Croix County.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA - Continued

LENDING ACTIVITY COMPARISON OF SIMILARLY SITUATED BANKS						
Bank	Average Quarterly Ratio of Total Loans/Deposits (10/93 - 6/96)	Estimated Secondary Market Real Estate Loans (11/95 - 9/96)		Average Loan Commitments (10/93 - 6/96)		Adjusted Total Loans/Deposits ²
	%	# ³	% Deposits ⁴	\$(000s)	% Deposits ⁵	%
MidAmerica Bank - Hudson	85.63	73	17.57	3,343	10.81	114.01
Citizens State Bank	79.34	6	1.42	2,311	738	88.14
FNB of Hudson	78.09	157	13.81	11,056	13.07	104.97
Landmark Bank	77.07	0	0	2,155	7.96	85.03
Bank St. Croix	75.79	32	20.46	694	5.96	102.21
FNB of New Richmond	72.30	123	21.22	3,083	7.15	100.67
Bank of Somerset	71.50	18	5.02	1,299	4.87	81.39
Bank of New Richmond	70.39	97	12.99	5,261	9.47	92.85

² The average quarterly loan to deposit ratio plus the estimated secondary market loans as a percentage of average deposits plus the average loan commitments as a percentage of average deposits.

³ This information is an estimate provided by the St. Croix County Register of Deeds. Information prior to 11/95 is not readily available.

⁴ Number of estimated secondary market loans multiplied by the median housing value of \$74,400, then divided by average deposits for the period 10/93 - 6/96.

⁵ Average loan commitments divided by average deposits for the period 10/93 - 6/96.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA - Continued

FNB originates a substantial majority of its loans inside its assessment area. Bank management started tracking the location of all types of loan originations in 1996. For the first six months of this year, roughly 88% (by number) and 91% (by dollar volume) of all loan originations are inside the assessment area. The following table details originations by loan type:

LOCATION OF ALL LOAN ORIGINATIONS - January through June 1996								
	Commercial		Residential		Consumer		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Loans Inside	133	\$5,762	154	\$3,337	353	\$2,171	640	\$11,270
Loans Outside	8	312	18	293	62	460	88	1,065
Total Originations	141	\$6,074	172	\$3,630	415	\$2,631	728	\$12,335
% Loans Inside	94.3%	94.9%	89.5%	91.9%	85.1%	82.5%	87.9%	91.4%

Annual reports filed under the Home Mortgage Disclosure Act (HMDA) also demonstrate bank performance in this area. In 1995, FNB originated 77% (by number) and 85% (by dollar volume) of its home loans inside the assessment area. In 1994, these ratios were 82% and 85%, respectively.

The distribution of credit among borrowers and businesses of different income levels is very good. Based on our knowledge of the bank's loan portfolio and management discussions, all but 12 commercial customers in the bank's assessment area are small businesses.⁶ We also looked at loan size as a proxy of the bank's willingness to make loans to small businesses. Over 95% of outstanding commercial loans are less than \$250,000; and only 2% exceed \$500,000.

FNB's willingness to lend to individuals of different income levels is evidenced by HMDA data. Bank lending to low and moderate income individuals generally parallels the demographics of the assessment area and is better than aggregate performance of other lenders. The table on the next page details the distribution of HMDA loans to individuals of different income levels for the previous two years.

⁶ Defined as businesses and farms with revenues less than \$1 million.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA - Continued

HOME MORTGAGE ORIGINATIONS IN THE BANK'S ASSESSMENT AREA									
Borrower Income Characteristics	Area Demographics	1994				1995			
		FNB - New Richmond		Market Aggregate		FNB - New Richmond		Market Aggregate	
	%	#	%	#	%	#	%	#	%
Low Income	17.6%	11	12.0%	186	8.9%	14	17.1%	168	7.6%
Moderate Income	19.8%	19	20.7%	514	24.4%	23	28.0%	547	24.9%
Middle Income	27.5%	36	39.1%	760	36.2%	21	25.6%	821	37.3%
Upper Income	35.1%	25	27.2%	584	27.8%	24	29.3%	631	28.7%
Unknown	0%	1	1.0%	57	2.7%	0	0%	34	1.5%
Total	100%	92	100%	2,101	100%	82	100%	2,201	100%

The geographic distribution of credit reflects adequate dispersion throughout the assessment area. As previously mentioned, two of the ten geographies in the assessment area are moderate income (20%), seven are middle income (70%) and one is upper income (10%). More than 95% of the FNB's commercial, residential and consumer loan originations (and outstandings) are in middle income geographies. Depending on the type of credit, between 2 and 4% of bank loan originations (and outstandings) are in moderate income geographies. Less than 1% are in upper income geographies.

FNB's lending performance in moderate income geographies is considered reasonable, albeit low, for the following reasons:

- o the two moderate income geographies are on the eastern edge of the county, furthest away from FNB's offices;
- o four competing banks have offices in these geographies; and,
- o this area is predominantly agricultural which is not a major credit product for FNB.

Examiners did not identify any instances of illegal discrimination or discouragement in the concurrent compliance review.