



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 3, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of St. Croix Falls
Charter Number 11526**

**P.O. Box 749
St. Croix Falls, Wisconsin 54024**

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 St. Croix Falls** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, between August 15, 1991, and December 3, 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 St. Croix Falls (FNB) has a good distribution of credit among businesses of different sizes and individuals of different income levels. A substantial majority of loans are in the assessment area.

The following table indicates the performance level of First National Bank of St. Croix Falls with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF ST.CROIX FALLS 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 St. Croix Falls (FNB) is a \$45 million community bank located in western Wisconsin, approximately 45 miles northeast of Minneapolis/St. Paul, Minnesota (Twin Cities). The main office has a driveup facility. FNB has no branch offices or deposit-taking automated teller machines. Financial Services of St. Croix Falls, Inc., a one bank holding company, owns the bank. FNB offers a range of conventional and government-sponsored loan products. Its \$31 million loan portfolio consists of residential (41%), commercial (39%), agricultural (11%) and consumer (9%) 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 six block numbering areas (BNA) in western Polk County, Wisconsin and five census tracts in southern Chisago County, Minnesota. Chisago County is part of the Minneapolis/St. Paul metropolitan statistical area (MSA). The assessment area complies with regulatory requirements. Based on 1990 census data, one geography in the assessment area is moderate income; the other ten geographies are middle income. The Department of Housing and Urban Development's most recent (1996) estimate of median family income is \$37,700 for the State of Wisconsin nonmetropolitan areas and \$54,600 for the Minneapolis/St. Paul MSA.

The population of the assessment area is 44,620. Polk and Chisago Counties are both experiencing population growth due to their proximity to the Twin Cities. And, as a result, their economic linkage with the Twin Cities is also increasing. In 1990, 18% of all employed persons in Polk County commuted to Minnesota for employment. In Chisago County, commuter income approximated 45% of total resident earnings in 1988. Of the 12,108 families in the bank's assessment area, 20% are low income, 22% are moderate income, 27% are middle income and 31% are upper income.

Polk County's economy is diversified and growing. In 1994, manufacturing comprised the largest portion of employment (23%). The manufacturing base consists of many small to medium-sized companies. Retail, service and government are also important employment sectors, representing more than 15% of the employment base each. Plentiful forest and water resources makes tourism an important component of the local economy as well. Historically, Polk County has lower income and higher unemployment than regional, state or national averages.

As a whole Chisago County is diversified and growing too. However, development is concentrated along the Interstate 35 corridor. Services and manufacturing are the largest employment sectors, at 26% and 17%, respectively (based on 1988 information).

Polk County has one of the highest median housing values (\$53,600) in West Central Wisconsin. The state average is \$62,600. Between 1980 and 1990, Polk County's median housing value increased 31%. The median housing value in Chisago County is \$70,100.

Competition among financial institutions is healthy. Approximately 13 banks and savings institutions have offices in Polk or Chisago Counties.

Community contacts conducted by regulators within the last two years include three government officials, two economic development agencies, one Realtor and one private individual. Community credit needs include affordable housing (including rental property), 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 reasonable and increasing. Since September 1993, the bank's average quarterly loan to deposit ratio is 62%. The averages for similarly situated banks¹ over the same period range from 45% to 87%. In recent quarters, FNB's loan to deposit ratio has significantly improved. As of September 30, 1996, the ratio was 71%. The bank also services a \$10 million portfolio of real estate loans which is not reflected in the loan to deposit ratio. These are loans that FNB originated and sold on the secondary market.

FNB originates a majority of its loans inside its assessment area. Bank management started tracking the location of loan originations in April 1996. Between April and October 1996, roughly 83% (by number) and 78% (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 - April through October 1996								
	Commercial/Ag		Residential		Consumer		Total	
	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)	#	\$ (000s)
Loans Inside	120	\$2,505	157	\$7,587	362	\$2,390	639	\$12,482
Loans Outside	24	606	44	2,460	66	401	134	3,467
Total Originations	144	\$3,111	201	\$10,047	428	\$2,791	773	\$15,949
% Loans Inside	83.3%	80.5%	78.1%	75.5%	84.6%	85.6%	82.6%	78.3%

¹ Defined as national or state chartered banks located in Polk County, Wisconsin or Chisago County, Minnesota, with total assets less than \$250 million and real estate loans greater than 45% of total loans.

The distribution of credit among borrowers and businesses of different income levels is good. Based on our knowledge of the bank's loan portfolio and management discussions, all but 10 commercial customers in the bank's assessment area are small businesses.² 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 have origination amounts less than \$250,000; and only 1% have origination amounts that exceed \$500,000.

Bank lending to low and moderate income individuals generally parallels the demographics of the assessment area. The following table, based on bank reports, provides a conservative approximation of the distribution of FNB's current consumer loan customers by income level.

DISTRIBUTION OF CONSUMER LOAN CUSTOMERS BY INCOME LEVEL AS OF NOVEMBER 19, 1996					
Borrower Income Characteristics	Area Demographics	Residential Loan Customers		Other Consumer Loan Customers	
	%	#	%	#	%
Low Income	20.0%	29	8.3%	108	22.6%
Moderate Income	21.8%	74	21.3%	93	19.5%
Middle Income	26.7%	146	42.0%	142	29.8%
Upper Income	31.5%	99	28.4%	97	20.3%
Unknown	0%	0	---	37	7.8%
Total	100%	348	100%	477	100%

The geographic distribution of credit reflects adequate dispersion throughout the assessment area. As previously mentioned, one of the eleven geographies in the assessment area is moderate income (9%) and ten are middle income (91%). Roughly 9% (by number) and 6% (by dollar volume) of loan originations inside the assessment area (between April and October 1996) were in the moderate income geography.

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

² Defined as businesses and farms with revenues less than \$1 million.