



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 11, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of River Falls
Charter Number 7087**

**104 East Locust Street, P. O. Box 166
River Falls, Wisconsin 54022**

**Office of the Comptroller of the Currency
Eau Claire Field Office**

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 River Falls**, prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, between January 31, 1995, and September 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: First National Bank of River Falls is rated *Satisfactory Record of Meeting Community Credit Needs* based on its strong loan to deposit ratio and good record of lending to borrowers and businesses of different income levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF RIVER 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 examination.		

DESCRIPTION OF INSTITUTION

First National Bank of River Falls (FNB) is a \$144 million bank located in West Central Wisconsin along the Pierce and St. Croix County line and close to the Wisconsin-Minnesota border. The main office in River Falls and full-service branch in Prescott are located in middle income geographies. Both locations offer automated teller machine (ATM) services. Another ATM (cash dispensing only) is located in a convenience store on the north side of River Falls. FNB offers a wide range of conventional and government-sponsored loan products well suited to community credit needs. Its \$97 million loan portfolio consists primarily of commercial (50%) and residential (34%) loans. Consumer (9%) and agricultural (7%) account for the balance of the portfolio. There are no financial, legal, or other factors which impede FNB's ability to meet its CRA obligations.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists primarily of the western two-thirds of Pierce County and the southwest quarter of St. Croix County. Both counties are part of the Minneapolis/St. Paul metropolitan statistical area (MSA). The assessment area includes eleven census tracts and meets regulatory requirements. Based on 1990 census data, one geography is moderate income, nine are middle income, and one is upper income. The moderate income tract is located in central Pierce County along the southeastern edge of the assessment area. The median family income for the Minneapolis/St. Paul MSA is \$54,600 based on the Department of Housing and Urban Development's 1996 estimate. Of the 12,611 families in the assessment area, 16% are low income, 20% are moderate income, 30% are middle income, and 34% are upper income.

Population growth in the area is among the fastest in the state. St. Croix County's population has increased nearly 50% since 1970 compared to about 25% for Pierce County during the same period. The growth is primarily due to the area's closeness to Minneapolis and St. Paul (Twin Cities). Population growth has led to a steady increase in housing values. The assessment area's median housing value of \$72,000 is among the highest in West Central Wisconsin.

The Pierce and St. Croix County economy is strong and diverse due to its proximity to the Twin Cities area. However, economic contrasts exist within and between the two counties. The economy in the western half of both counties is prosperous, diversified, and expanding while the eastern-most portions are predominantly agriculture and economically stagnant. In St. Croix County, the manufacturing industry is a major source of employment followed by the services and retail trade industries. The county is home to a strong and growing base of small to medium sized manufacturing companies. In Pierce County, the government sector is the largest employer due to the presence of a state university followed by the retail trade and services industries. Unemployment in the area is below regional, state, and national averages; and personal incomes, particularly in St. Croix County, are among the highest in the state. Much of the population commutes to the Twin Cities for employment.

Competition among financial institutions in the assessment area is strong. Approximately 12 banks, savings institutions, and credit unions operate in Pierce and St. Croix County. Community contacts conducted by regulators within the last two years include a government official and a real

estate broker. Community credit needs include affordable housing, rental 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 strong. Since the previous CRA examination in January 1995, the bank’s average quarterly loan to deposit ratio is 75%. This compares favorably to the average loan to deposit ratio of 70% for eighteen similarly situated banks¹ whose average quarterly loan to deposit ratios ranged from 54% to 80% during the same time period. FNB’s loan to deposit ratio does not include the significant volume (\$29 million) of residential loans sold on the secondary market since the prior CRA examination.

FNB originates a substantial majority of originations in its assessment area. Since management began tracking loan originations by census tract in March 1996, 89% by number and 77% by dollar of new or renewed loans, including residential loans sold on the secondary market, are in the assessment area.

The geographic distribution of credit reflects a reasonable dispersion of lending throughout the assessment area. The vast majority of lending activity in the assessment area is concentrated in areas that include the bank’s offices. FNB’s level of lending in other portions of the assessment area, including one moderate income tract, is consistent with the distance from the bank’s offices and the location of competing financial institutions.

The distribution of credit by borrower income level is reasonable. Based on 1995 Home Mortgage Disclosure Act data, FNB’s record of lending to low and moderate income individuals is comparable to other lenders in the assessment area as demonstrated by the following table.

1995 and 1996 Home Mortgage Originations in Assessment Area								
Borrower Income Characteristics	1995				1996			
	FNB - River Falls		Market Aggregate		FNB - River Falls		Market Aggregate	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Low	9	6%	99	7%	19	9%	Information Not Available	
Moderate	30	21%	353	23%	45	21%		
Middle	58	40%	585	38%	90	41%		
Upper	48	33%	491	32%	63	29%		
Total	145	100%	1,528	100%	217	100%		

While the proportion of FNB’s lending to low and moderate individuals is slightly below the family income demographics for the assessment area, it is similar to other financial institutions

¹We defined similarly situated banks as all financial institutions similar in asset size located in a surrounding five county area in Wisconsin and Minnesota.

serving the area. It should be noted that lending to low and moderate income borrowers is influenced by changes in the residential real estate market, primarily in the western half of the Pierce and St. Croix County. Population expansion in the area has significantly increased the demand for housing resulting in sharply higher land values. The higher land values has disadvantaged many potential home buyers seeking loans with limited equity or cash reserves.

FNB's participation in government loan programs, particularly in Pierce County, also supports its willingness to lend to low and moderate income individuals applying for home loans. Since 1995, the bank has originated approximately half of the 54 loans under the United States Department of Agriculture Rural Development Guaranteed Rural Housing Program in Pierce County. This program gives preference to first-time home buyers based on income requirements. Loan proceeds may be up to 100% of the purchase price. FNB has also originated about one-third of the 67 Wisconsin Housing & Development Authority (WHEDA) home purchase loans and nearly all of the 17 home improvement loans in Pierce County since 1995. WHEDA loan programs are also tailored to qualify lower income borrowers.

The distribution of credit among businesses of different revenue levels is good. We sampled 30 recently originated commercial and agricultural loans; of which, 21 or 70% were to small businesses.² Half of the loans sampled were to businesses with revenues less than \$250 thousand, including six with revenues less than \$100 thousand.

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

²Small businesses are defined as non-farm businesses with revenues less than \$1 million and farms with revenues less than \$500 thousand.