



---

Comptroller of the Currency  
Administrator of National Banks

Large Bank

**PUBLIC DISCLOSURE**

**December 31, 1997**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Firststar Bank Minnesota, N.A.**

**Charter Number 16128  
101 East Fifth Street  
St. Paul, Minnesota 55101**

**Supervisory Agency: Office of the Comptroller of the Currency  
Large Bank Supervision  
250 E Street, S.W.  
Washington, D.C. 20219**

**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.

## Table of Contents

<b>Glossary of Terms and Common Abbreviations</b>	<b>3</b>
<b>General Information</b>	<b>4</b>
<b>Description of the Institution</b>	<b>6</b>
<b>Description of the Assessment Area</b>	<b>7</b>
<b>Scope of Examination</b>	<b>9</b>
<b>Conclusions with Respect to Performance Tests</b>	
<i>Lending Test</i>	<b>10</b>
<i>Investment Test</i>	<b>24</b>
<i>Service Test</i>	<b>25</b>
<b>Fair Lending Review</b>	<b>27</b>
<b>Additional Information</b>	<b>27</b>

## GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

**Assessment Area (AA)** - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA.

**Census Tract (CT)** - Small, locally defined statistical areas within an MSA, determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development Loan** - A loan which has as its *primary* purpose community development. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses and farms, except for multi-family rental housing loans which can be reported under both categories.

**Community Development Service** - A service that has community development as its *primary* purpose and is related to the provision of financial services.

**Community Development Purpose** - A community development purpose is defined per 12 C.F.R. § 25.12(h) as affordable housing (including multi-family rental housing) for low- and moderate-income (LMI) individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet size eligibility standards of 13 C.F.R. § 121.802(a)(2) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies.

**Home Mortgage Disclosure Act (HMDA)** - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. *(This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. § 2801, as amended, and 12 C.F.R. § 203, as amended.)*

**Income Levels** - These relate to individuals, families, or the CTs in an MSA.

**Low** = An income level that is less than 50% of the median income.

**Moderate** = An income level that is at least 50% and less than 80% of the median income.

**LMI** = An income level that is less than 80% of the median income.

**Middle** = An income level that is at least 80% and less than 120% of the median income.

**Upper** = An income level that is 120% or more of the median income.

**Median Family Income** - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development (HUD) updates this figure annually using an estimated inflation factor.

**Metropolitan Statistical Area (MSA)** - An area containing a city with a population of at least 50 thousand or an urbanized area with a population of at least 50 thousand and a total metropolitan population of at least 100 thousand. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

**Qualified Investment** - A lawful investment that has as its *primary* purpose community development.

**Small Business or Small Farm** - A business or farm that has \$1 million or less in gross annual revenues.

**Small Loan to a Business** - A loan of \$1 million or less to a business of any size.

## 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 CRA performance of **Firststar Bank of Minnesota, N.A. (Firststar Minnesota), St. Paul, Minnesota** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **December 31, 1997**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. § 25.

This institution is rated "**Satisfactory Record of Meeting Community Credit Needs.**"

Firststar Minnesota's CRA performance was rated "Satisfactory Record of Meeting Community Credit Needs" because of the following factors:

- The volume of home mortgage, small business, and consumer loans within the bank's assessment area was good;
- Firststar Minnesota achieved a very good distribution of HMDA-reportable loans to borrowers of different income levels;
- The bank exhibited a strong commitment to meeting the identified credit need of small dollar loans to the smallest businesses in the assessment area;
- The distribution of loans among geographies of different income levels is adequate;
- The level of qualified investments was high; and
- Retail delivery systems and community development services were reasonably accessible to all portions of the bank's assessment area.

The table on the following page indicates the performance level of Firststar Minnesota with respect to the lending, investment, and service tests.

Performance Levels	Firststar Bank of Minnesota, N.A. Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	<b>X</b>	<b>X</b>	
Low Satisfactory			<b>X</b>
Needs To Improve			
Substantial Noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## **DESCRIPTION OF INSTITUTION**

Firststar Minnesota is a full-service financial institution headquartered in St. Paul, Minnesota. It is a wholly owned subsidiary of Firststar Corporation, a \$20 billion multi-bank holding company headquartered in Milwaukee, Wisconsin. The bank offers a full range of credit products including real estate, commercial, and consumer loan products. Firststar Minnesota has 32 branches and 19 automated teller machines (ATMs), located in one legally defined assessment area. Firststar Minnesota has two affiliates who also lend within its assessment area. All residential real estate loans that are sold on the secondary market for all Firststar Corporation banks are originated through Firststar Home Mortgage Corporation (FHMC), a subsidiary of Firststar Bank Milwaukee, N.A. In addition, virtually all retail consumer loans for all Firststar Corporation banks are originated through Firststar Bank U.S.A., N.A., which is located in Waukegan, Illinois.

There are no known legal or financial impediments that would hamper Firststar Minnesota's ability to help meet the credit needs of its assessment area. As of June 30, 1997, Firststar Minnesota had \$2.9 billion in total assets. The bank's loan-to-deposit ratio on that date was 108% and gross loans represented 74% of total assets. The loan portfolio consisted of the following types of credit: 49% mortgage loans for one- to four-family residential real estate; 19% commercial and industrial loans; 13% consumer loans; 10% real estate loans for commercial purposes; 3% real estate loans for multi-family or construction and development purposes; and 6% loans for all other purposes. For calendar year 1996, Firststar Minnesota had a net income of \$27.7 million and a return on average assets of 0.92%.

## DESCRIPTION OF ASSESSMENT AREA

Firststar Minnesota’s assessment area consists of the majority of seven counties that comprise the Twin Cities Metropolitan Statistical Area. This includes all of Anoka, Hennepin, Ramsey, and Washington counties, and portions of Carver, Dakota, and Scott counties. Twenty-three outlying census tracts in Carver, Dakota, and Scott counties are excluded from the assessment area. None of the excluded tracts are low or moderate income tracts. Firststar Minnesota does not have any banking offices or deposit taking ATMs nor does the bank originate a substantial portion of its loans in the excluded census tracts. The assessment area is located within the Minneapolis-St. Paul MN-WI MSA. The assessment area does not extend across the state line of Minnesota into the Wisconsin portion of the MSA. The assessment area has a population of 2,207,482. The 1990 HUD MSA median family income for the Minneapolis-St. Paul MSA was \$43,063. The estimated median family income levels for 1996 and 1997 were \$54,600 and \$57,300, respectively. Table 1 shows the distribution of census tracts and families by income level within Firststar Minnesota’s assessment area.

<b>Table 1: Census Tract and Family Distribution Within Firststar Minnesota’s Assessment Area</b>				
<b>Census Tract Income Level</b>	<b>Number of Census Tracts</b>	<b>Percent of Census Tracts</b>	<b>Number of Families</b>	<b>Percent of Families</b>
<b>Low Income</b>	52	9%	92,712	16%
<b>Moderate Income</b>	92	16%	101,746	18%
<b>Middle Income</b>	310	53%	155,600	28%
<b>Upper Income</b>	123	21%	216,598	38%
<b>Income Not Applicable</b>	6	1%	0	0%
<b>TOTAL</b>	583	100%	566,656	100%

Source: 1990 Census Data, U.S. Bureau of the Census

The Minneapolis-St. Paul MSA is the fifteenth largest metropolitan area in the United States. The population grew by 15 percent between 1980 and 1990, making it the twelfth fastest growing area in the United States. Local economic conditions are good. The unemployment rate has gradually declined throughout this evaluation period and was under three percent in 1995.

The Twin Cities metropolitan area is the major transportation and distribution hub for the Upper Midwest. It is also a center for graphic arts, electronics, and medical instruments. Major industries include machinery and metal fabricating, plastics, computers, printing and publishing, and processing and transporting cash grain crops. The area is home to 15 of the FORTUNE 500 “Largest U.S. Corporations”, 32 FORTUNE 1000 companies, and several of the world’s largest private companies. The Twin Cities ranks fourth among all United States cities with the most corporate headquarters.

Table 2 shows the distribution of businesses within Firststar Minnesota’s assessment area by sales volume and by the income level of the census tracts in which they are located.

<b>Table 2: Distribution of Businesses by Sales Volume and Tract Income Level</b>					
Census Tract Income Level	Number of Census Tracts	Businesses With Revenues:			Total Businesses
		\$1 Million or Less	More Than \$1 Million	Not Reported	
<b>Low Income</b>	52 (9%)	3,241 (6%)	693 (7%)	1,096 (7%)	5,030 (6%)
<b>Moderate Income</b>	92 (16%)	5,568 (10%)	1,109 (11%)	1,525 (10%)	8,202 (10%)
<b>Middle Income</b>	310 (53%)	30,784 (58%)	5,810 (55%)	8,599 (58%)	45,193 (58%)
<b>Upper Income</b>	123 (21%)	13,602 (26%)	2,854 (27%)	3,721 (25%)	20,177 (26%)
<b>Income Not Applicable</b>	6 (1%)	3 (0%)	4 (0%)	24 (0%)	31 (0%)
<b>TOTALS</b>	583 (100%)	53,198 (100%)	10,470 (100%)	14,965 (100%)	78,633 (100%)

Source: Dun & Bradstreet, Inc.

Firststar Minnesota’s market environment is extremely competitive, particularly among the larger commercial and regional financial institutions. Firststar Minnesota’s assessment area is served by more than 80 commercial financial institutions, ranging in total assets from \$3 million to \$36 billion. The vast majority of these banks are full service financial institutions that help meet the day-to-day credit needs of individuals and small businesses. Firststar Minnesota is the fourth largest financial institution in the market. The two banks most similarly situated to Firststar Minnesota in total asset size range from \$1.0 billion to \$3.8 billion. Of the remaining financial institutions, two have total assets in excess of \$19 billion while the remaining institutions are \$705 million or less. Competition for mortgage loans is especially fierce. In 1996, there were over 450 lenders reporting mortgage loan originations within the bank’s assessment area.

Firststar Minnesota has a very high loan-to-deposit ratio. The bank’s ratio of 108% is the third highest among financial institutions in the assessment area, considerably higher than the average of 76%. Among the five financial institutions with total assets of \$1 billion or more, it is the second highest ratio and exceeds the average of 97% for these institutions.

The most pressing housing credit needs include combination purchase/rehabilitation loans, flexible first time home buyer loans, and down payment assistance financing. Commonly cited commercial credit needs include small dollar working capital loans for small businesses and start-up businesses, loans for development or redevelopment, and loans with flexible underwriting. We determined these credit needs from over 50 community contacts conducted by financial institution regulators and through our review of CRA Performance Evaluations generated for Minneapolis/St. Paul area banks over the last couple of years.



## **SCOPE OF EXAMINATION**

We examined Firststar Minnesota using the Lending, Investment, and Services Tests for large banks pursuant to the revised CRA regulation. These tests assess the bank's record of helping to meet community credit needs. We analyzed the bank's mortgage, small business, consumer, and community development lending; the number and types of qualified investments; branch distribution and accessibility; and retail and community development services.

For HMDA-reportable loans, this evaluation covers calendar years 1995 and 1996, as well as through June 30, 1997. For small business loans, this evaluation covers calendar year 1996 and through June 30, 1997. We did not evaluate small business loans originated in 1995 because 1996 was the first year this data was required to be collected and reported under the revised CRA regulation. At the bank's request, we also analyzed consumer lending for 1996 and through June 30, 1997. Also at the bank's request, we included loans originated by affiliate banks within Firststar Minnesota's assessment area as follows: affiliate bank mortgage loans for 1995, 1996, and year-to-date 1997; and affiliate bank small business and consumer loans for year-to-date 1997. Unless noted otherwise, discussion throughout this evaluation about Firststar Minnesota's mortgage and consumer lending includes loans originated by affiliate banks

The revised CRA regulation also gives consideration to a bank's small farm lending. We did not include small farm lending in our analysis as Firststar Minnesota reported only 1 small farm loan in 1996 for \$153,000 and 1 small farm loan in 1977 for \$110,000. Self-employed farmers comprise less than 1 percent of the assessment area's population.

Firststar Minnesota's prior Performance Evaluation was dated June 8, 1995 and the rating was "Satisfactory Record of Meeting Community Credit Needs."

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

Firststar Minnesota's lending levels reflect good responsiveness to the assessment area's mortgage, small business, and consumer credit needs. The bank originated a good volume of HMDA-reportable, small business, and consumer loans in its assessment area and showed good penetration to borrowers of different income levels and businesses of different sizes. The distribution of loans among geographies of different income levels is adequate. Firststar Minnesota originated a significant portion of its mortgage, small business, and consumer loans within its assessment area.

### HMDA Lending:

The number and amount of Firststar Minnesota's HMDA-reportable loans within the bank's assessment area in 1995, 1996, and through June 1997 reflected good responsiveness to the credit needs of home buyers and homeowners. In 1995 and 1996, Firststar Minnesota, including affiliate lending, ranked in the top six of all reporting lenders for each HMDA loan type within the assessment area. The one exception was in 1995, when Firststar Minnesota fell to eleventh in the market for multi-family loans.

Table 3 shows the number and dollar amount of HMDA-reportable loans Firststar Minnesota originated or purchased within its assessment area for 1995, 1996, and through June 1997.

<b>Table 3: HMDA Lending Activity Within Firststar Minnesota's Assessment Area</b>						
<b>HMDA Product</b>	<b>1995</b>		<b>1996</b>		<b>1997 (January - June)</b>	
	<b>Number</b>	<b>\$ (000's)</b>	<b>Number</b>	<b>\$ (000's)</b>	<b>Number</b>	<b>\$ (000's)</b>
<i>Home Purchase</i>	2,794	312,957	2,446	274,475	1,119	127,606
<i>Refinance</i>	834	92,304	1,412	157,157	418	45,935
<i>Home Improvement</i>	518	9,521	703	16,377	303	7,115
<i>Multifamily</i>	5	109	16	3,568	0	0
<b>TOTAL</b>	4,151	414,891	4,577	451,577	1,840	180,656

Sources: Federal Financial Institutions Examination Council (FFIEC) HMDA Data (1995 and 1996), Bank Records (1997)

### **Distribution of HMDA Loans by Borrower Profile**

Firststar Minnesota has a very good distribution of HMDA-reportable loans to borrowers of different income levels. We compared Firststar Minnesota's percentage of HMDA loans among borrowers of different income levels to population demographics for the assessment area. We also compared Firststar Minnesota's lending to the aggregate of all HMDA reporters in the market area.

Firststar Minnesota achieved very strong portfolio percentages among borrowers of different income levels when compared to the percentage of families at each income level within the bank's assessment area. Home purchase loans were weighted more heavily than refinancing and home improvement loans in our analysis because they were an identified credit need and because they represented 60% of Firststar's HMDA-reportable loans in the evaluation period. During this time, the percentage of the number of home purchase loans Firststar Minnesota made to low- and moderate-income borrowers met or exceeded area demographic data.

For refinancing loans, Firststar Minnesota's performance among low-income borrowers was several points below population demographics, but the percentage has improved each year. Firststar Minnesota's percentage of refinancing loans to moderate-income borrowers was consistent with demographics for 1995 and 1996, while in 1997 it exceeded moderate income population demographics.

For home improvement loans, Firststar Minnesota's percentage of the number of loans to low-income borrowers was consistent with demographic data in 1995 and somewhat below demographics for 1996 and through June 1997. Firststar Minnesota's percentage of home improvement loans to moderate-income borrowers was slightly below population demographics in 1995 and 1996 but improved to exceed demographic data in 1997.

For all HMDA loan types, Firststar Minnesota's percentage of the number of loans to middle- and upper-income borrowers was generally consistent with population demographics for these income groups over the evaluation period.

For all mortgage loan types, Firststar Minnesota's percentage of loans to low- and moderate-income borrowers generally met or exceeded the percentage of loans all HMDA reporters within the assessment area for loans made to low- and moderate-income borrowers. Again, the bank's performance is especially strong for home purchase loans where Firststar Minnesota's percentages represented 100% to 160% of the percentages achieved by aggregate lenders.

Table 4 on the following page illustrates the distribution of Firststar's HMDA-reportable loans to borrowers of different income levels. For comparison purposes, it also shows the distribution of families within Firststar's assessment area by income level as well as the distribution of HMDA-reportable loans to borrowers of different income levels by all lenders.

<b>Table 4: HMDA Lending Activity by Borrower Income Level</b>						
Income Category & HMDA Product	1995		1996		1997 #	Percent of Families in Income Category
	Firststar	All Lenders	Firststar	All Lenders	Firststar	
<b>Percentage of Loans by Number to Low-Income Borrowers:</b>						10% *
<i>Home Purchase</i>	10%	9%	11%	10%	16%	
<i>Refinance</i>	5%	6%	6%	7%	8%	
<i>Home Improvement</i>	10%	7%	7%	9%	8%	
<i>All HMDA Loan Products</i>	9%	8%	9%	9%	13%	
<b>Percentage of Loans by Number to Moderate-Income Borrowers:</b>						18%
<i>Home Purchase</i>	24%	24%	25%	23%	30%	
<i>Refinance</i>	18%	16%	18%	17%	22%	
<i>Home Improvement</i>	16%	19%	17%	22%	20%	
<i>All HMDA Loan Products</i>	22%	21%	22%	21%	27%	
<b>Percentage of Loans by Number to Middle-Income Borrowers:</b>						28%
<i>Home Purchase</i>	31%	26%	30%	24%	28%	
<i>Refinance</i>	27%	26%	26%	27%	26%	
<i>Home Improvement</i>	33%	32%	41%	33%	39%	
<i>All HMDA Loan Products</i>	30%	27%	30%	26%	29%	
<b>Percentage of Loans by Number to Upper-Income Borrowers:</b>						38%
<i>Home Purchase</i>	34%	25%	33%	24%	25%	
<i>Refinance</i>	45%	35%	41%	32%	41%	
<i>Home Improvement</i>	41%	39%	35%	34%	33%	
<i>All HMDA Loan Products</i>	37%	30%	36%	28%	30%	
<b>Percentage of Loans by Number to Borrowers with Unknown Income:</b>						0%
<i>Home Purchase</i>	1%	16%	1%	19%	1%	
<i>Refinance</i>	5%	17%	9%	17%	3%	
<i>Home Improvement</i>	0%	3%	0%	2%	0%	
<i>All HMDA Loan Products</i>	2%	14%	3%	16%	1%	

Sources: FFIEC Aggregate HMDA Data (1995 and 1996), Bank Records (1997), and 1990 Census Data, U.S. Bureau of the Census

# Aggregate data for all lenders for year-to-date 1997 is not available.

\* 33,139 families in the Firststar Minnesota's assessment area are below the poverty level. We adjusted the percentage of families who are low-income (16%) to exclude the families who are below the poverty level because it is highly unlikely they could afford to borrow. This resulted in approximately 10% of the low-income families who could potentially become borrowers.

Firststar Minnesota achieved very strong market shares among borrowers of different income levels when compared to its overall market share for various HMDA loan products in 1995 and 1996. Performance among low- and

moderate-income borrowers is especially strong for home purchase loans, where the bank's market share exceeded its overall market share.

For refinancing loans, Firststar Minnesota’s market share among low-income borrowers was slightly below its overall performance; however, it was above overall market share for moderate-income borrowers. For home improvement loans, Firststar Minnesota’s market share to low- and moderate-income borrowers was below its overall market share except for low-income borrowers in 1995, which exceeded the bank’s overall market share for home improvement loans.

For all HMDA loans types, Firststar Minnesota’s market share to middle- and upper-income borrowers exceeded its overall market share. The only exception is Firststar Minnesota’s market share of refinancing loans to middle-income borrowers in 1996, which was slightly below the bank’s overall market share of refinancing loans.

Table 5 shows Firststar Minnesota’s overall market share for home purchase, refinance, home improvement, and all HMDA loan categories combined, as well as the bank’s market share among borrowers of different income levels for each of the various HMDA loan categories.

<b>Table 5: Firststar Market Share of HMDA-Reportable Loan Products by Borrower Income Level</b>		
	<b>1995</b>	<b>1996</b>
<b>HMDA Product &amp; Income Category</b>	<b>Market Share</b>	<b>Market Share</b>
<b>HOME PURCHASE</b>	<b>Overall 5.56%</b>	<b>Overall 4.07%</b>
<i>Low-Income Borrowers</i>	6.07%	4.46%
<i>Moderate-Income Borrowers</i>	5.63%	4.56%
<i>Middle-Income Borrowers</i>	6.49%	5.12%
<i>Upper-Income Borrowers</i>	7.46%	5.54%
<b>REFINANCE</b>	<b>Overall 4.60%</b>	<b>Overall 3.68%</b>
<i>Low-Income Borrowers</i>	3.54%	3.12%
<i>Moderate-Income Borrowers</i>	5.09%	3.81%
<i>Middle-Income Borrowers</i>	4.79%	3.63%
<i>Upper-Income Borrowers</i>	5.93%	4.65%
<b>HOME IMPROVEMENT</b>	<b>Overall 3.58%</b>	<b>Overall 4.74%</b>
<i>Low-Income Borrowers</i>	4.75%	3.88%
<i>Moderate-Income Borrowers</i>	3.05%	3.67%
<i>Middle-Income Borrowers</i>	3.70%	5.83%
<i>Upper-Income Borrowers</i>	3.78%	4.85%
<b>ALL HMDA LOAN PRODUCTS</b>	<b>Overall 5.00%</b>	<b>Overall 4.03%</b>
<i>Low-Income Borrowers</i>	5.44%	4.03%
<i>Moderate-Income Borrowers</i>	5.15%	4.23%
<i>Middle-Income Borrowers</i>	5.56%	4.72%
<i>Upper-Income Borrowers</i>	6.23%	5.08%

Source: FFIEC Aggregate HMDA Data (1995 and 1996)

### *Distribution of HMDA Loans by Geography*

Firststar Minnesota achieved acceptable percentages for the number of loans it made in low and moderate income census tracts (CTs). For home purchase loans, Firststar Minnesota's percentage of loans in low and moderate income CTs was slightly below the percentage of all owner-occupied housing units located in low and moderate income CTs in both 1995 and 1996; however, the bank has shown a steady increase and matched demographics in 1997.

For refinancing loans, Firststar Minnesota matched housing demographics in low income CTs for 1995 and 1996, but showed a slight decline in 1997. The bank's refinancing loan percentages in moderate-income CTs, as well as percentages of home improvement loans in both low- and moderate-income CTs, were below housing demographics during the evaluation period.

For all loan products, Firststar Minnesota's percentage of loans in middle and upper income census tracts was comparable to or exceeded the percentage of owner-occupied housing units located in those CTs.

Similar comparisons are made between the performance of Firststar Minnesota and all lenders in the assessment area. The bank's best comparison is for home purchase loans, where Firststar Minnesota's percentages were slightly below aggregate lenders in low and moderate income CTs in 1995 and 1996, but showed improvement in 1997. For refinancing loans, Firststar Minnesota matched aggregate lenders in the percentage of loans in low income CTs for 1995 and 1996. The bank was behind all lenders in the percentage of refinancing loans in moderate income CTs and the percentage of home improvement loans in low and moderate income CTs. For all HMDA loan products, Firststar Minnesota's percentage of loans in middle and upper income CTs was comparable to or exceeded the aggregate lenders percentages in these CTs.

Neither Firststar Minnesota's performance nor the performance of all lenders within the assessment area was favorable when comparing the percentage of HMDA-reportable loans within low and moderate income CTs to the percentage of CTs within the assessment area that are designated low or moderate income. It is noted that the combined percentage of owner-occupied housing located in low and moderate income CTs represents only 12% of total owner-occupied housing units within the assessment area. A low percentage of owner-occupied housing units in low and moderate income CTs is an indicator that limited opportunities exist for financial institutions to make housing loans in those areas. Data indicates that borrowers of all income categories have purchased more homes in middle and upper income CTs than in low or moderate income CTs. Therefore, this evaluation gave greater consideration to the bank's distribution of HMDA-reportable loans by borrower income level (as discussed previously) rather than by census tract income level.

Table 6 on the next page shows Firststar Minnesota's geographic distribution of HMDA loans. It also includes the geographic distribution of HMDA loans for all reporters in the assessment area, the percentage of owner-occupied housing in the assessment area located in each census tract income category as well as the percentage of total CTs in the assessment area that are low, moderate, middle, and upper income.



**Table 6: HMDA Lending Activity By Census Tract Income Level**

Income Category & HMDA Product	1995		1996		1997 #	Percent of Owner-Occupied Housing	Total Census Tracts *
	Firststar	All Lenders	Firststar	All Lenders	Firststar		
<b>LOW-INCOME CENSUS TRACTS</b>						2%	9%
<i>Home Purchase</i>	1%	2%	1%	2%	2%		
<i>Refinance</i>	2%	2%	2%	2%	1%		
<i>Home Improvement</i>	0%	2%	1%	2%	1%		
<i>All HMDA Loan Products</i>	1%	2%	1%	2%	1%		
<b>MODERATE-INCOME CENSUS TRACTS</b>						10%	16%
<i>Home Purchase</i>	5%	8%	7%	8%	10%		
<i>Refinance</i>	4%	7%	3%	7%	3%		
<i>Home Improvement</i>	5%	8%	4%	9%	5%		
<i>All HMDA Loan Products</i>	5%	8%	5%	8%	8%		
<b>MIDDLE-INCOME CENSUS TRACTS</b>						61%	53%
<i>Home Purchase</i>	58%	58%	59%	58%	58%		
<i>Refinance</i>	53%	58%	56%	59%	61%		
<i>Home Improvement</i>	62%	61%	67%	62%	71%		
<i>All HMDA Loan Products</i>	57%	59%	60%	59%	61%		
<b>UPPER-INCOME CENSUS TRACTS</b>						27%	21%
<i>Home Purchase</i>	36%	31%	33%	32%	30%		
<i>Refinance</i>	41%	33%	39%	32%	35%		
<i>Home Improvement</i>	33%	29%	28%	27%	23%		
<i>All HMDA Loan Products</i>	37%	31%	34%	31%	30%		

Sources: FFIEC Aggregate HMDA Data (1995 and 1996), Bank Records (1997), and 1990 Census Data, U.S. Bureau of the Census

# Aggregate data for all lenders for year-to-date 1997 is not available.

\* This column totals 99%. The remaining 1% of census tracts in Firststar Minnesota's assessment area do not have an applicable income level. These tracts were excluded from the table as 0% of owner-occupied housing is located in these tracts. Firststar Minnesota and all other lenders in the assessment area reported less than 1% of their HMDA loans in these tracts for 1995 or 1996.

In both 1995 and 1996, Firststar Minnesota's market share of HMDA-reportable loans only exceeded its overall market share in any loan category in middle and upper income census tracts. The bank did achieve fairly close market shares for home purchase loans in moderate-income census tracts in 1996 and for refinance loans in low income tracts in both 1995 and 1996.

Table 7 illustrates market share comparisons based on the geography of the loan.

<b>Table 7: Firststar Market Share of HMDA-Reportable Loan Products by Census Tract Income Category</b>		
	<b>1995</b>	<b>1996</b>
<b>HMDA Product &amp; Income Category</b>	<b>Market Share</b>	<b>Market Share</b>
<b>HOME PURCHASE</b>	<b>Overall 5.56%</b>	<b>Overall 4.07%</b>
<i>Low Income Census Tracts</i>	2.29%	2.55%
<i>Moderate Income Census Tracts</i>	3.55%	3.41%
<i>Middle Income Census Tracts</i>	5.46%	4.13%
<i>Upper Income Census Tracts</i>	6.46%	4.20%
<b>REFINANCE</b>	<b>Overall 4.60%</b>	<b>Overall 3.68%</b>
<i>Low Income Census Tracts</i>	3.83%	3.15%
<i>Moderate Income Census Tracts</i>	2.55%	1.84%
<i>Middle Income Census Tracts</i>	4.21%	3.49%
<i>Upper Income Census Tracts</i>	5.80%	4.44%
<b>HOME IMPROVEMENT</b>	<b>Overall 3.58%</b>	<b>Overall 4.74%</b>
<i>Low Income Census Tracts</i>	0.41%	0.81%
<i>Moderate Income Census Tracts</i>	2.24%	2.23%
<i>Middle Income Census Tracts</i>	3.59%	5.12%
<i>Upper Income Census Tracts</i>	4.12%	4.91%
<b>ALL HMDA LOAN PRODUCTS</b>	<b>Overall 5.00%</b>	<b>Overall 4.03%</b>
<i>Low Income Census Tracts</i>	2.31%	2.47%
<i>Moderate Income Census Tracts</i>	3.13%	2.77%
<i>Middle Income Census Tracts</i>	4.85%	4.05%
<i>Upper Income Census Tracts</i>	5.92%	4.38%

Source: FFIEC Aggregate HMDA Data (1995 and 1996)

Firststar Minnesota made and purchased a substantial percentage of its HMDA loans within its assessment area. For 1995, 1996, and through June 1997, over 90% of the bank's HMDA-reportable loans were within the designated assessment area. The percentage of HMDA loans in the assessment area does not include home mortgage loans attributed to Firststar Minnesota by its affiliate.

**Small Business Lending:**

The number and amount of small loans to businesses Firststar Minnesota made and purchased in 1996 showed a good responsiveness to the credit needs of commercial borrowers. An analysis of 1996 aggregate small business loan data released by the Federal Financial Institutions Council (FFIEC) showed Firststar Minnesota originated 8% of all reported business loans in amounts less than \$1 million within the bank’s assessment area. Among the six financial institutions in the market with total assets of \$500 million or more, Firststar Minnesota reported the highest volume of loans to small businesses in relation to the asset size of the financial institution. (The FFIEC data only includes small business loan data for financial institutions with total assets of \$250 million or more or financial institutions of any size that are affiliates of bank holding companies with \$1 billion or more in total assets.)

Table 8 shows the number and dollar amount of small loans to businesses Firststar Minnesota originated or purchased within its assessment area in 1996 and through June 30, 1997. It also shows the annual revenue size of the borrowers.

<b>Table 8: 1996 Small Business Lending Activity</b>								
<b>Business Revenues</b>	<b>1996</b>				<b>1997 (Through June 30)</b>			
	<b>Number</b>	<b>Percent</b>	<b>Dollar (000)</b>	<b>Percent</b>	<b>Number</b>	<b>Percent</b>	<b>Dollar (000)</b>	<b>Percent</b>
<b>\$1 Million or less</b>	577	38%	\$40,292	31%	282	48%	\$20,471	26%
<b>Greater than \$1 Million</b>	373	24%	\$58,190	44%	276	46%	\$51,315	65%
<b>Unknown Revenues</b>	572	38%	\$33,205	25%	34	6%	\$6,867	9%
<b>Total</b>	1,522	100%	\$131,687	100%	592	100%	\$78,653	100%

Source: Bank Records

**Distribution of Small Business Loans by Borrower Profile**

Firststar Minnesota showed reasonable penetration among business customers of different revenue sizes. Firststar Minnesota’s distribution of loans to businesses of different sizes is comparable in number and significantly higher in dollar amount to aggregate lender data within Firststar Minnesota’s assessment area. In 1996, 38% of the number and 31% of the dollar amount of Firststar Minnesota’s small loans to businesses were to businesses with revenues of \$1 million or less. In comparison, FFIEC 1996 aggregate small business loan data showed 36% of the number and 20% of the dollar amount of all reported small loans to businesses were to businesses with revenues of \$1 million or less. The percentages for Firststar Minnesota and all lenders are considerably below demographic data of total businesses in the assessment area with revenues of \$1 million or less, as detailed in Table 2.

Through June 1997, Firststar Minnesota significantly increased its percentage of loans to smaller businesses, from 38% to 48%, as well as substantially increasing the percentage of loans to businesses with revenues greater than \$1 million from 24% to 46%. At the same time, Firststar Minnesota decreased the percentage of loans to businesses with unknown revenues from 38% to 6%.

The FFIEC 1996 aggregate small business loan data showed Firststar Minnesota compared closely to all lenders in making small loans to businesses of any size. The reporting group of lenders made or purchased 84% of the number of its small loans in amounts of \$100,000 or less while Firststar Minnesota made or purchased 81%. The reporting group made or purchased 7% of the number of its small loans in amounts greater than \$100,000 but less than or equal to \$250,000; Firststar Minnesota made or purchased 11%. All lenders made or purchased 9% of the number of its small loans in amounts greater than \$250,000 up to \$1,000,000 while Firststar Minnesota made or purchased 8%.

Firststar Minnesota exhibited a strong commitment to meeting the identified credit need of small dollar loans to the smallest businesses in the assessment area. In 1996, 84% of Firststar Minnesota's loans to businesses with annual revenues of \$1 million or less were in amounts of \$100,000 or less. This percentage declined slightly in 1997 to 82%.

Table 9 shows the distribution of Firststar Minnesota's small business loans by loan size for 1996 and year-to-date 1997.

<b>Table 9: Distribution of Small Loans to Businesses With Gross Annual Revenues Less Than \$1 Million</b>						
Loan Size	1996			1997 (Through June 30)		
	Number	Percent	\$ (000s)	Number	Percent	\$ (000s)
<b>0 to \$10,000</b>	93	16%	660	42	15%	347
<b>\$10,001 to \$25,000</b>	192	33%	3,594	75	26%	1,444
<b>\$25,001 to \$50,000</b>	128	22%	4,992	70	25%	2,827
<b>\$50,001 to \$100,000</b>	76	13%	6,008	45	16%	3,669
<b>\$100,001 to \$250,000</b>	55	10%	8,779	30	11%	4,856
<b>\$250,001 to \$500,000</b>	22	4%	8,085	19	7%	6,753
<b>\$500,001 to \$1,000,000</b>	11	2%	8,174	1	0%	575
<b>Total</b>	577	100%	40,292	282	100%	20,471

Source: Bank Records

**Distribution of Small Business Loans by Geography**

Firststar Minnesota had an adequate geographic distribution of small loans to businesses. We compared the bank's loan distribution to the percentage of businesses in the assessment area that are located in low, moderate, middle, and upper income CTs; and the percentage of total CTs in the assessment area that are low, moderate, middle, and upper income; and to FFIEC data on all lenders in the market.

For 1996, Firststar Minnesota's percentage of small loans to businesses located in low and moderate income CTs was below the percentage of total tracts in the assessment area that are low and moderate income, as well as the percentage of loans all reporting lenders in the market made in low and moderate income CTs. The percentage of Firststar Minnesota's loans in low income CTs was less than half the percentage of the number of businesses in low income tracts, while the percentage of Firststar Minnesota's loans in moderate income CTs was 60% of the percentage of businesses in those tracts. For middle and upper income CTs, Firststar Minnesota's percentages matched or exceeded the percentages of CTs and businesses in those areas.

For year-to-date 1997, Firststar Minnesota increased its percentage of small loans to businesses that are located in low and moderate income CTs. The most significant increase was in moderate income CTs, where the bank's percentage was only slightly below the percentage of businesses located in moderate income tracts and is comparable to aggregate lender percentages from 1996. Data on aggregate lenders is not yet available for 1997. The percentage of Firststar Minnesota's loans in low income CTs increased from 33% to 50% of the percentage of all businesses located in low income CTs. The bank's percentage of loans made in middle and upper income CTs continued to exceed the percentages of businesses located in those tracts and the percentage of CTs within the assessment area that are designated middle and upper income.

Table 10 shows the distribution of Firststar Minnesota's small loans to businesses by the income level of the geography in which the loan is located.

<b>Table 10: Small Business Lending Activity by Census Tract Income Level</b>							
Census Tract Income Level	1996 Firststar Small Business Loans		1996 Aggregate Lenders	1997 Firststar Small Business Loans *		All Businesses in Assessment Area	All Census Tracts in Assessment Area
	Number	Percent	Percent	Number	Percent	Percent	Percent
<b>Low-Income</b>	36	2%	5%	17	3%	6%	9%
<b>Moderate-Income</b>	88	6%	9%	52	9%	10%	16%
<b>Middle-Income</b>	867	57%	56%	349	59%	58%	53%
<b>Upper-Income</b>	530	35%	30%	164	27%	26%	21%
<b>Income Not Applicable</b>	1	0%	0%	10	2%	0%	1%

Sources: Bank Records; FFIEC 1996 Aggregate CRA Data; Dun & Bradstreet, Inc.; and 1990 Census Data, U.S. Bureau of the Census

\* Through June 30, 1997

Firststar Minnesota originated a significant percentage of its small loans to businesses within its assessment area. For 1996 and through June 1997, over 75% of the bank's small loans to businesses were within its assessment area.

**Consumer Lending:**

Firststar Minnesota’s consumer lending levels are adequate. Examiners used bank reports to analyze consumer loans by product type. Products included motor vehicle, credit card, home equity, other consumer secured, and other consumer unsecured. The loans were originated by both Firststar Minnesota and its affiliate, Firststar Bank U.S.A., N.A. Consumer products are combined for presentation in this evaluation.

Table 11 shows the number and dollar volume of consumer loans originated by Firststar Minnesota and its affiliate within the bank’s assessment area for 1996 and through June 30, 1997. It details loans by the various consumer loan categories. In 1996 and 1997, the consumer loan category with the largest volume was motor vehicle loans, representing 49% of the number and 48% of the dollar volume of all reported consumer loans.

<b>Table 11: Consumer Lending Activity Within Firststar’s Assessment Area</b>				
<b>Consumer Loan Product</b>	<b>1996</b>		<b>1997 (Through June 30)</b>	
	<b>Number</b>	<b>Amount (000)</b>	<b>Number</b>	<b>Amount (000)</b>
<b>Motor Vehicle</b>	12,072	153,519	8,225	106,787
<b>Credit Card</b>	6,744	23,305	5,315	9,577
<b>Home Equity</b>	3,911	130,289	1,463	51,097
<b>Other Consumer Secured</b>	1,048	27,793	338	11,979
<b>Other Consumer Unsecured</b>	1,360	18,981	574	12,479
<b>Total</b>	25,135	353,887	15,915	191,919

Source: Bank Records

**Distribution of Consumer Loans by Borrower Profile:**

Firststar Minnesota achieved a strong distribution of consumer loans by borrower income. For 1996, Firststar Minnesota’s percentage of loans to low-income borrowers exceeded the percentage of families in the assessment area that are low income by 25%. For 1997, the bank’s percentage increased to almost twice the percentage of families in the assessment area that are low income. For moderate income borrowers, the bank’s percentage exceeded the demographics percentage by 33% in 1996 and 22% in 1997.

The only loan products where Firststar Minnesota’s percentage of loans to low and moderate income borrowers did not exceed family income demographics were home equity loans and other unsecured loans. The bank’s percentage of home equity loans to low income borrowers was 6% for 1996 and year-to-date 1997. This is below area demographics of 10% being low income families in the assessment area (adjusted for families below the poverty level who are less likely to afford a home). For other unsecured loans, Firststar Minnesota’s percentage of loans to low and

moderate income borrowers in 1996 was 11% and 13%, respectively. For year-to-date 1997, both percentages increased to 15% and were only slightly below demographic percentages.

The following table shows the distribution of Firststar Minnesota’s consumer loans by borrower income for 1996 and year-to-date 1997.

<b>Table 12: Distribution of Consumer Lending by Borrower Income Category</b>							
<b>Borrower Income Level</b>	<b>1996</b>			<b>1997 (Through June 30)</b>			<b>Percent of Families in Income Category</b>
	<b>Number</b>	<b>Percent</b>	<b>Amount (000)</b>	<b>Number</b>	<b>Percent</b>	<b>Amount (000)</b>	
<b>Low-Income Borrowers</b>	5,127	20%	40,100	4,880	31%	29,343	16%
<b>Moderate-Income Borrowers</b>	5,980	24%	68,425	3,512	22%	38,352	18%
<b>Middle-Income Borrowers</b>	6,163	25%	84,202	3,594	23%	45,404	28%
<b>Upper-Income Borrowers</b>	5,547	22%	139,650	2,922	18%	66,730	38%
<b>Borrowers With Unknown Income</b>	2,318	9%	21,510	1,007	6%	12,090	0%
<b>Total</b>	25,135	100%	353,887	15,915	100%	191,919	100%

Source: Bank Records

**Distribution of Consumer Loans by Geography:**

Firststar Minnesota had a poor distribution of consumer loans by geography income level. In both 1996 and 1997, the bank’s percentage of the number of consumer loans in low income census tracts was only half the percentage of families in the assessment area that are located in low income CTs. For both years, Firststar Minnesota’s percentage of consumer loans in moderate income CTs was just under 75% of the percentage of families in the assessment area located in moderate income tracts. For both 1996 and 1997, the bank’s percentage of consumer loans in middle and upper income CTs met or exceeded the percentage of families located in these tracts.

There were no consumer loan product categories where Firststar Minnesota met or exceeded demographic data in low- or moderate- income CTs; however, the percentage of motor vehicle loans in low and moderate income CTs was only slightly below the percentage of families located in these tracts. In both 1996 and 1997, Firststar Minnesota’s percentage of motor vehicle loans in low income tracts was 3%. In 1996, the bank originated 9% of motor vehicle loans in moderate income CTs. This percentage declined slightly in 1997 to 8%.

Table 13 on the following page shows the distribution of Firststar Minnesota’s consumer loans by census tract income level for 1996 and through June 30, 1997.



**Table 13: Distribution of Consumer Lending by Census Tract Income Level**

Census Tract Income Level	1996			1997 (Through June)			Percent of Families in Census Tract Income Level Category	Percent of Census Tracts in Assessment Area
	Number	Percent	\$ (000s)	Number	Percent	\$ (000s)		
Low-Income CTs	605	2%	6,573	346	2%	3,396	4%	9%
Moderate-Income CTs	1,916	8%	21,497	1,253	8%	12,893	11%	16%
Middle-Income CTs	15,395	61%	199,474	9,950	63%	109,021	60%	53%
Upper-Income CTs	7,217	29%	126,339	4,366	27%	66,609	25%	21%
CTs Income Not Applicable	2	0%	4	0	0%	0	0%	1%
<b>Total</b>	<b>25,135</b>	<b>100%</b>	<b>353,887</b>	<b>15,915</b>	<b>100%</b>	<b>191,919</b>	<b>100%</b>	<b>100%</b>

Source: Bank Records

Firststar Minnesota originated a substantial majority of its consumer loans within its assessment area. For calendar year 1996, the bank originated 90% of the number and 91% of the dollar volume of its consumer loans within the designated assessment area. The percentage of consumer loans in the assessment area does not include consumer loans attributed to Firststar Minnesota by its affiliates.

### Community Development Lending:

Firststar Minnesota originated an acceptable level of community development loans. During the evaluation period, Firststar Minnesota made 4 qualified community development loans in its assessment area totaling \$2,020,000. Proceeds of the loans were used for working capital purposes by organizations dedicated to providing affordable housing for low and moderate income individuals and families.

Firststar Minnesota also identified approximately 30 loans totaling \$2.9 million that had a community development purpose; however, the loans were already reported as small loans to businesses. As noted on the “Glossary of Terms and Common Abbreviations” page of this evaluation, these loans are excluded from the definition of community development loans.

### Flexible Loan Programs:

Firststar Minnesota used several flexible lending programs to help meet the credit needs of borrowers in its assessment area. For example, Firststar Minnesota offers the American Dream Home Loan, which is targeted to low- and moderate-income individuals and has flexible downpayment requirements and no reserve requirements. In 1996 and

through August 30, 1997, the bank originated 270 American Dream loans totaling \$18.1 million. In conjunction with these loans, Firststar Minnesota provided downpayment assistance loans totaling \$256,000.

Firststar Minnesota also participated in various federal programs that provide financing for home buyers, including Federal Housing Administration (FHA) and Veteran's Administration (VA) loan programs. During the evaluation period, Firststar Minnesota originated 1,651 FHA loans totaling \$141 million and 347 VA loans totaling \$36 million.

Working with the Minnesota Housing Finance Agency (MHFA), Firststar Minnesota participated in two home improvement loan programs. The Home Energy Loan Program provides funds up to \$5,000 for improvements to increase the energy efficiency of homes. Firststar Minnesota originated 19 Home Energy Loans totaling \$72,000 during 1996 and through May 31, 1997. MHFA's Great Minnesota Fix-Up Fund provides funds for home improvement at below market rates and is targeted to low- and moderate-income homeowners. Firststar Minnesota originated 21 such loans totaling \$179,000 during 1996 and through May 31, 1997.

Firststar Minnesota participated in several federal and local programs that provide financing for small businesses, including programs sponsored by the Small Business Administration (SBA) and the Minneapolis Community Development Agency (MCDA). Working directly with the SBA, Firststar Minnesota originated 53 loans totaling \$8.0 million in 1996 and through April 30, 1997. As an SBA-designated Preferred Lender, Firststar Minnesota is able to process loan applications more quickly and reduce the applicant's paperwork. In participation with the MCDA, Firststar Minnesota originated 9 small business loans in 1996 totaling \$1.0 million.

All of the above mortgage and small business loans were included in the analyses of HMDA-reportable and small business loans earlier in this evaluation.

In addition, Firststar Minnesota participated in a multi-bank lending consortium sponsored by the Metropolitan Economic Development Association (MEDA), a non-profit organization that provides financial, technical, and managerial assistance to minority-owned small businesses in the metropolitan area. The consortium loan program provides flexible working capital loans for minority entrepreneurs who do not meet traditional lending standards. Loan amounts range from \$25,000 to \$150,000. Loan funds available through the consortium total \$5.3 million, including \$3.3 million from financial institutions and \$2 million from the McKnight Foundation and state financing. Firststar Minnesota committed to providing \$330,000, or 10%, of the funding from financial institutions. The financial institutions also guarantee a portion of the loan pool. During this evaluation period, the consortium originated \$1.4 million in loans to 11 businesses.

## **INVESTMENT TEST**

Firststar Minnesota made a relatively high level of qualified community development investments and grants that benefit the bank's assessment area. During the evaluation period, Firststar Minnesota made \$3.5 million in qualified investments and grants. This represents 0.12% of total assets as of June 30, 1997, or approximately 0.05% on an annual basis.

Qualified investments included:

- \$2.7 million municipal bond to construct a community center in a low to moderate income neighborhood. The community center offers several social programs targeted to low and moderate income families, including day care and adult education.
- \$150,000 over three years to purchase interests in limited partnerships formed to construct affordable housing, primarily in the Twin Cities metropolitan area. The residential real estate projects qualify for federal low income housing tax credits.
- \$100,000 in grants and donations to organizations that provide homeownership counseling to low or moderate income individuals and families seeking home loans through Firststar Minnesota's American Dream loan program.
- \$100,000 equity investment in a community development corporation (CDC) that develops and operates multi-family housing projects targeted to low and moderate income families throughout the United States, including the Twin Cities area. This is the first of a ten-year, \$1 million commitment by Firststar Minnesota to the CDC.
- \$571,000 in grants and donations to organizations whose primary purpose meet the definition of community development, including groups dedicated to providing affordable housing or community services targeted to low and moderate income individuals; promoting economic development by financing or providing technical assistance to small businesses; or promoting activities that stabilize or revitalize low or moderate income geographies.
- \$65,000 in grants to 242 low or moderate income families. The grants provided down-payment assistance for families purchasing homes. To qualify, the applicant's annual income may not exceed 80% of the MSA median family income.

## SERVICE TEST

Firststar Minnesota’s retail banking services are reasonably accessible to essentially all portions of the bank’s assessment area. Alternative delivery systems are available to essentially all of the bank’s customers. Firststar Minnesota provided an adequate level of community development services.

### Retail Banking Services:

Firststar Minnesota’s retail delivery systems are reasonably accessible to essentially all portions of its assessment area. The bank has 32 branch offices and 19 automated teller machines (ATMs). The following table shows the geographic distribution of the bank’s delivery systems along with demographic data on the percent of census tracts in each income category and the distribution of population by CT income category.

Census Tract Income Level	Branches		ATMs		Percent of Population in Census Tract Income Level	Percent of Census Tracts in Assessment Area
	Number	Percent	Number	Percent		
Low-Income CTs	1	3%	0	0%	6%	9%
Moderate-Income CTs	1	3%	1	5%	12%	16%
Middle-Income CTs	22	69%	13	69%	58%	53%
Upper-Income CTs	8	25%	5	26%	24%	21%
CTs Income Not Applicable	0	0%	0	0%	0%	1%
<b>Total</b>	<b>32</b>	<b>100%</b>	<b>19</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Bank Records

Firststar Minnesota’s relatively low concentration of branches in low- and moderate-income census tracts does not present a significant concern due to the following mitigating factors:

- While only 6% of the branches are located in low or moderate income census tracts, an additional 31% (10 branches) are located in tracts adjacent to or surrounded by low and moderate income CTs. The 32 census tracts containing branches, as well as the adjacent low or moderate income census tracts, contain a higher percentage of low and moderate income families than they do middle and upper income families. Nine percent of all low income families in the assessment area reside in these tracts, as do 8% of all moderate income families and 7% of all middle and upper income families.

- Secondly, low and moderate income families are concentrated in middle income CTs. Combined, only 10% of low and moderate income families are located in low income CTs, 19% in moderate, 59% in middle, and 12% in upper income census tracts.

Hours of operation at all branches are reasonable with almost all offices open for extended hours on Friday and Saturday. There are no material differences in the availability or cost of services at any locations, with the exception of two branches located in middle-income tracts, where only deposit services are provided.

Firststar Minnesota relies on several alternative banking systems to reasonably reach essentially all portions of the bank's assessment area. In addition to the ATMs shown in Table 13, Firststar Minnesota has the following alternative banking systems:

- Firststar Minnesota has an Electronic Banking Center through which customers can check account balances and histories, initiate transactions such as transfers, download transactions to personal financial software packages, and pay and review bills, including loan payments.
- Firststar Minnesota also offers Firststar Express, a 24-hour telephone service where customers can monitor loan and deposit accounts, initiate transactions, and obtain loan and deposit rate information. Bank personnel are also available via telephone 24 hours a day where customers can speak with a banker to apply for a loan, open a new account, or inquire about existing accounts or other financial information.

Firststar Minnesota's record of opening and closing branches has not adversely affected the accessibility of its delivery systems. Since the last CRA evaluation, Firststar Minnesota has opened five branches, all in connection with the bank's acquisition of two other financial institutions. One branch was located in a low income census tract while the other four were located in middle income tracts.

During the same time period, Firststar Minnesota closed five branches, one in a moderate income CT, three in middle income CTs, and one in an upper income CT. One branch located in a middle income CT closed when the building was sold and Firststar Minnesota lost its lease. The remaining branch closings occurred as a result of Firststar Minnesota's merger and acquisition activities. The closed branches were located in close proximity to existing branches. Prior to closing these offices, Firststar Minnesota evaluated the economic impact of the branch closure on the local community, discussed the decisions with community leaders, and provided notices to customers that informed them of alternative branch locations.

### **Community Development Services:**

Firststar Minnesota provides an acceptable level of community development services. Bank staff provide financial expertise to organizations serving the needs of small businesses and low or moderate income individuals. Examples of the community development services Firststar Minnesota and its employees provide in the bank's assessment area include:

- Two loan officers having served on the loan committee for MEDA's multi-bank lending consortium that targets minority-owned small businesses.

- Loan officers participating in the annual ACORN Bank Fair, an annual home improvement fair targeted to low and moderate income neighborhoods, and a small business loan seminar sponsored by the Small Business Administration. At these fairs and seminars, bank personnel provided financial training for small business owners and also provided general information on obtaining small business and home improvement loans.
- On an ongoing basis, several bank representatives serve on the Boards of Directors, loan committees, or finance committees of several community organizations that focus on the needs of low to moderate income individuals, small businesses, or low- to moderate- income geographies.

### **FAIR LENDING REVIEW**

No violations of the substantive provisions of the anti-discrimination laws and regulations (Equal Credit Opportunity Act and Fair Housing Act) were identified. Management has developed written policies and procedures, and has created appropriate training programs to ensure employees do not illegally discourage or prescreen credit applicants. Extensive fair lending and diversity training was conducted throughout Firststar Corporation during 1996 and 1997.

### **ADDITIONAL INFORMATION**

Firststar Minnesota is located in the Minneapolis-St. Paul, MN-WI MSA #5120. HMDA data is available to the public by contacting the following:

Thomas Smisek  
Tech/Sci/Docs  
Minneapolis Public Library  
300 Nicollet Mall  
Minneapolis, Minnesota 55401-1992  
Phone: (612) 372-6643