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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

October 21, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**St. Martin National Bank  
Charter Number 15198**

**136 Main Street  
St. Martin, Minnesota**

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

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **St. Martin National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of October 21, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**.

St. Martin National Bank's rating is based on the following factors:

- ◆ The bank's loan-to-deposit ratio is reasonable.
- ◆ A substantial majority of the loans are extended in the bank's assessment area.
- ◆ The bank's record of extending credit to borrowers of different income levels and to businesses of different sizes is good.

## **DESCRIPTION OF INSTITUTION**

St. Martin National Bank (SMNB) is an \$11 million institution located in Stearns County in central Minnesota. SMNB is owned by 44 shareholders with no shareholder owning more than 6% of the total shares. The only office is located in St. Martin, Minnesota, a community of approximately 300 people. There are no branches or automated teller machines.

The bank offers traditional loan and deposit products and services. Using June 30, 1997 financial information, loans totaled \$7.1 million or 63% of total assets. The loan portfolio consists of agriculture (36%), commercial (25%), residential real estate (25%), and consumer loans (14%).

Primary competition in the assessment area includes several smaller institutions located in neighboring communities. There are no legal or financial impediments limiting SMNB's ability to help meet community credit needs. The bank was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination, July 13, 1995.

## **DESCRIPTION OF ST. MARTIN NATIONAL BANK'S ASSESSMENT AREA.**

SMNB's assessment area includes portions of Stearns and Kandiyohi Counties. The assessment area includes 13 census tracts (CTs) in Stearns County which is part of the St. Cloud, Minnesota Metropolitan Statistical Area and 2 Block Numbering Areas (BNAs) in Kandiyohi County. The CTs and BNAs are contiguous. Cities in the assessment area include St. Martin, Albany, Belgrade, Melrose, and Paynesville. The assessment area's population is about 50,000.

During our examination the bank modified its assessment area to include whole CTs and BNAs. The assessment area complies with the requirements of the CRA and does not arbitrarily exclude low- and moderate-income areas.

The area median family income is \$42,647 or 117% of the outstate median income of \$36,500. Of the 15 CTs and BNAs, 13 are middle income, one is moderate income, and one is upper income. Family incomes within the assessment area are 19% low income, 20% moderate income, 28% middle income, and 33% upper income. Approximately 11% of the population is below the poverty level and 4% receive public assistance. The bank is located in an agricultural area dominated by family owned dairy operations.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :**

### ***Loan-to-Deposit Ratio***

SMNB's loan-to-deposit ratio is reasonable. SMNB's ratio has been stable and averaged 70.2% since our last CRA examination. We compared SMNB's ratio to a group of similarly situated banks. These banks are of similar size, located in rural settings, and within the bank's assessment area. SMNB's ratio ranks eighth out of nine, with peer bank ratios ranging from 50% to 96%.

### ***Lending in the Assessment Area***

SMNB originates a substantial majority of its loans within its assessment area. SMNB does not formally track its loans. I reviewed a sample of 47 consumer instalment, residential real estate, and business purpose loans made in 1997 according to address. Each of the 47 I reviewed appeared to have been made within the bank's assessment area. Bank management estimates that few loans have been made which were out of the bank's assessment area.

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

SMNB has a good record of lending to individuals of different income levels and to businesses of different sizes. The following two tables illustrate lending within the consumer instalment, residential real estate, and commercial and agriculture portfolios. The tables represent a sample of 47 loans made from January 1, 1997 to October 2, 1997 totaling \$995M. The sample represents 32% of the number of loans made and 36% of the dollar volume of loans made during this period.

Table One represents a sample of 21 consumer instalment loans totaling \$104,548 and a sample of 6 residential real estate loans totaling \$236,008. The consumer loans represent 36% of the number of consumer instalment loans made and 23% of the dollar volume of loans made from January 1, 1997 to October 2, 1997. The residential real estate loans represent 50% of the number of residential real estate loans and 38% of the dollar volume of loans made over the same period. Included in Table One is the percentage breakdown of median family income within the bank's assessment area.

**Table One**

Income Level	% of Families	Consumer Installment Loans		Residential Real Estate	
		% Number	% Dollar	% Number	% Dollar
Low	19%	52%	54%	17%	18%
Moderate	20%	38%	38%	17%	14%
Middle	28%	10%	8%	33%	37%
Upper	33%	NA	NA	33%	31%

Lending patterns for consumer instalment and residential real estate loans indicate that the bank is extending credit to individuals of all income levels, including low- and moderate-income borrowers. SMNB extends a majority of its consumer instalment loans to low-income borrowers. The level of residential real estate lending to all income categories is comparable to the area's income demographics.

Lending patterns illustrated in Table Two reflect SMNB's strong record of lending to businesses of all sizes, including small businesses and farms. Table Two depicts the number and dollar volume percentages of loans extended to businesses of different sizes, as measured by annual sales. The sample represents 20 business and agriculture loans totaling \$654,788 which equal 27% of the number of loans and 38% of the dollar volume of business and agriculture loans made from January 1, 1997 to October 2, 1997.

**Table Two**

Annual Gross Sales	% of Number of Loans	% of Dollar Volume
< \$100,000	55%	40%
\$100,000-\$250,000	25%	28%
\$250,000-\$500,000	10%	4%
\$500,000-\$1,000,000	NA	NA
>\$1,000,000	10%	28%

***Geographic Distribution of Loans***

An analysis of the geographic distribution of loans among different income geographies is not meaningful. Of the bank's 15 CTs and BNAs, 13 are middle income, one is moderate income, and one is upper income. The bank does not have the data gathering capabilities to distinguish between borrowers in different CTs and BNAs.

***Record of Compliance with Anti-discrimination Laws***

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

***Record of Response to Complaints***

SMNB received no complaints concerning its performance in meeting assessment area credit needs.