



## **PUBLIC DISCLOSURE**

November 17, 2016

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Falcon National Bank  
Charter Number 24373

183 Cedar Drive  
Foley, MN 56301

Office of the Comptroller of the Currency

Campbell Mithun Tower  
222 South Ninth Street  
Suite 800  
Minneapolis, MN 55402-3393

**NOTE:** This document is an evaluation of this 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. 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

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

Falcon National Bank (FNB) has a **satisfactory** record of meeting community credit needs. We based this assessment on the following:

- The bank's loan-to-deposit ratio is reasonable.
- Loan distribution reflects reasonable penetration among individuals of different incomes and businesses of different sizes, given the assessment area demographics.
- Geographic distribution of business loans among low- and-moderate-income tracts is excellent.

## **SCOPE OF EXAMINATION**

We assessed Falcon National Bank's (FNB) record of meeting the credit needs of the community, consistent with the provisions set forth in the Community Reinvestment Act (CRA). The assessment period for our review was from June 22, 2011 through November 17, 2016. Our review focused on the bank's assessment area (AA), located within the St. Cloud Metropolitan Statistical Area (MSA). We reviewed loan originations from January 1, 2014 through December 31, 2015 to determine the bank's primary products. We determined that business loans and residential loans are the bank's two primary products. Business loans represent 59.84 percent by number of originations and 63.73 percent by dollar volume. Residential loans represent 24.02 percent by number of originations and 32.63 percent by dollar volume. We selected a random sample of 92 business and 98 residential loans to conduct our analysis.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$227 million financial institution located in the St. Cloud MSA. The bank has two full-service, deposit-taking branches, one located in St. Cloud, MN and the other in Foley, MN. FNB is 100 percent owned by Centra Ventures Inc., a three-bank holding company.

The main focus of FNB is business and residential lending. Business loans account for 59.84 percent by number originated and 63.73 percent by dollar volume for loans originated in 2014 and 2015. Residential loans account for 24.02 percent by number originated and 32.63 percent by dollar volume during the same period. FNB also has a large commercial leasing division.

FNB did not open or close any branches during the evaluation period and currently operates two ATMs, one at each branch location, which do not take deposits. FNB received a satisfactory CRA rating during their most recent evaluation, dated June 21, 2011. There are no legal actions or financial constraints that would affect the bank's ability to meet community credit needs.

## DESCRIPTION OF ASSESSMENT AREA(S)

FNB's AA consists of 25 whole, contiguous census tracts (CTs) located in the St. Cloud MSA. Nine CTs are located in Benton County, while the remaining 16 CTs are within Stearns County. The AA is comprised of five moderate-income tracts, 17 designated as middle-income tracts, and three upper-income tract. There are no low-income tracts within the bank's AA or the St. Cloud MSA. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income CTs. The AA does not have any underserved or distressed CTs.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE ST. CLOUD AA</b>	
Population	
Number of Families	29,630
Number of Households	48,220
% of Low-Income Families	19.94%
% of Moderate-Income Families	16.31%
% of Middle-Income Families	25.76%
% of Upper-Income Families	38.00%
Geographies	
Number of Census Tracts	25
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	20.00%
% Middle-Income Census Tracts	68.00%
% Upper-Income Census Tracts	12.00%
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$64,993
2015 HUD-Adjusted MFI	\$73,200
Economic Indicators	
2015 Unemployment Rate	3.75%
2015 Median Housing Value	\$172,238
% of Households Below Poverty Level	14.82%

*Source: 2010 U.S. Census data with updated information when available*

Economic conditions within the assessment area are satisfactory. According to the Bureau of Labor Statistics, the unemployment rate for Benton and Stearns Counties in July 2016 was 3.80 percent and 3.50 percent, respectively. This compares to a statewide unemployment rate of 3.90 percent during the same period. St. Cloud is a large retail hub, while the western part of the assessment area largely consists of dairy, livestock, poultry, and crop farming. Large employers in the area include the St. Cloud VA Health Care

System, St. Cloud State University, and CentraCare Health. Our community contact noted that labor shortages in high skilled manufacturing persists in the region.

Competition within FNB's AA is strong. Within the market area, there are 32 banks, including FNB, along with multiple credit unions. As of June 30, 2016 Federal Deposit Insurance Corporation Deposit Market Share Report, FNB ranked fifth highest in deposit volume, totaling 3.85 percent deposit market share. The four largest depositors including two large national banks comprise approximately 53 percent of the deposit share.

Our community contact stated that FNB helped in developing the Benton County Economic Partnership and that the bank has been quick to respond do the needs of the communities they serve.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable. The bank's quarterly LTD ratio averaged 86 percent over 22 calendar quarters from March 31, 2011 through September 30, 2016. FNB's LTD compares reasonably to other similarly situated banks within the AA. The average quarterly LTD for similarly situated banks during the same period was 82 percent. Similarly situated banks ranged in asset size from \$195 million to \$258 million, as of September 30, 2016.

<b>Loan-to-deposit Ratio Institution (Headquarters)</b>	<b>Assets as of 9/30/16 (\$000s)</b>	<b>Average LTD Ratio (%)</b>
Bankvista	\$194,784	103.17%
Plaza Park State Bank	\$201,177	86.86%
American Heritage National Bank	\$257,902	86.11%
<b>Falcon National Bank</b>	<b>\$227,860</b>	<b>85.78%</b>
Sentry Bank	\$212,832	71.13%
Liberty Bank Minnesota	\$202,511	62.59%

*Source: Call Report data as of September 30, 2016.*

### Lending in Assessment Area

FNB originated or purchased a majority of their loans to borrowers outside of their AA. Based on our sample of 60 commercial loans and 60 residential loans, 63 percent of originations by number and 62 percent by dollar volume, were originated outside of the bank's AA during the evaluation period. Although FNB originated or purchased only 37 percent of loans by number within the AA, the low volume is skewed by Falcon Commercial Leasing, which provides nationwide business leasing. Another factor that skews the bank's loans made in the AA is their proximity to another MSA. The Minneapolis MSA includes a CT that contains addresses in St. Cloud. Many of the loans

in our sample were made to business or individual borrowers where the subject property is just beyond the bank's delineated AA. The bank cannot include the Minneapolis MSA within the AA due to not having a deposit taking branch or ATM within the MSA.

<b>Lending in the St. Cloud AA</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	28	47%	32	53%	60	6,857	54%	5,762	46%	\$12,619
Residential	16	27%	44	73%	60	2,771	21%	10,223	79%	\$12,994
Totals	44	37%	76	63%	120	\$9,628	38%	\$15,985	62%	\$25,613

Source: Residential and commercial loan samples.

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

Lending to business of different sizes and individuals of different income levels is reasonable.

### Business Loans

The distribution of loans reflects reasonable penetration among businesses of different sizes. FNB's lending to small businesses is slightly below the business demographic for the AA. The following table shows FNB's lending to businesses of different sizes.

<b>Borrower Distribution of Loans to Businesses in the St. Cloud AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77.23%	6.32%	16.45%	100%
% of Bank Loans in AA by #	73%	27%	0%	100%
% of Bank Loans in AA by \$	68%	32%	0%	100%

Source: Loan sample; 2010 US Census Data; Dunn and Bradstreet Data 2015

### Residential Loans

The distribution of loans to borrowers of different income levels reflects reasonable penetration. FNB's lending to low-income individuals shows reasonable penetration, while lending to moderate-income individuals shows excellent penetration. The following table compares the bank's lending to borrowers of different income levels to demographics within the AA.

<b>Borrower Distribution of Residential Real Estate Loans in the St. Cloud AA</b>
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Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential	19.94%	15%	16.31%	20%	25.76%	35%	38%	30%

Source: Loan sample; 2010 US Census Data

## Geographic Distribution of Loans

### Business Loans

The geographic distribution of business loans to businesses within moderate-income CTs within the AA reflects excellent dispersion. Business loans made to borrowers in moderate-income CTs meets the AA business demographics. The following table shows FNB's lending compared to demographics.

Geographic Distribution of Loans to Businesses in the St. Cloud AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans	% of AA Businesses	% of # of Loans
Commercial	0%	0%	24.96%	25%	61.39%	63%	13.65%	12%

Source: Loan Sample; 2010 US Census Data; Dunn & Bradstreet Data 2015

### Residential Loans

The geographic distribution of loans throughout the AA reflects very poor dispersion of lending to borrowers located in moderate-income CTs. Residential loans originated to borrowers in moderate-income CTs is significantly lower than the borrower demographics of the AA. Although the bank has very poor dispersion, the low volume of lending to moderate-income CTs is largely due to competition within the AA. The moderate-income CTs in the AA are located around the downtown St. Cloud area. Numerous banks, credit unions, and mortgage companies are located in this area.

<b>Geographic Distribution of Residential Real Estate Loans in (Name of AA)</b>								
Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
	0%	0%	16.46%	4%	71.39%	79%	12.15%	17%

Source: Loan Sample; HMDA Data; US Census Data

## Response to Complaints

FNB has not received any CRA related complaints since the previous CRA evaluation.

## Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.