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Comptroller of the Currency  
Administrator of National Banks  
SMALL BANK

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**PUBLIC DISCLOSURE**

January 8, 1998

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

First National Bank of Montgomery  
Charter Number 15059  
401 First Street South  
Montgomery, Minnesota 56069

Office of the Comptroller of the Currency  
Minneapolis West Field Office  
920 Second Avenue South, Suite 800  
Minneapolis, Minnesota 55402

**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 Montgomery, Montgomery, Minnesota** prepared by The Office of Comptroller of the Currency, the institution's supervisory agency, as of **January 8, 1998**. 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."

- First National Bank of Montgomery meets the credit needs of the community as demonstrated by its average loan-to-deposit ratio of 66.4% since the bank's prior CRA examination. The trend in the loan-to-deposit ratio is increasing.
- A majority (70-90%) of loans by number and by dollar volume are located within the bank's assessment area.
- The bank affirmatively lends to individuals of different income levels (including low- and moderate-income borrowers) and to small businesses and small farms.

## DESCRIPTION OF INSTITUTION

First National Bank of Montgomery, Montgomery, Minnesota (FNB) is a \$48 million independent financial institution located 50 miles Southwest of the Twin Cities area. The bank's only office is a full-service facility located in downtown Montgomery. The bank recently installed an automated teller machine; allowing customers 24-hour access to deposit accounts.

The bank specializes in residential real estate lending. Residential loans comprised 39% of FNB's outstanding loans by dollar volume as of September 30, 1997. The bank also offers commercial loans (33%), agricultural loans (14%), and consumer loans (14%).

FNB received a "Satisfactory" rating at its March 21, 1995, CRA examination. There are no legal impediments or other factors, including the financial condition of the bank which limit its ability to perform in accordance with CRA regulations.

## DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area includes parts of Le Sueur and Rice Counties. The area is primarily rural but includes the communities of Montgomery, Lonsdale, Vereli, Webster, New Prague, Heidelberg, St. Thomas, Kilkenny, Waterville, Elysian, Morristown, Shieldsville, and Little Chicago. The assessment area borders on, but does not include, the cities of Le Sueur, Le Center, Faribault, and Northfield. The population of the bank's assessment area is approximately 23,600 persons.

The assessment area does not arbitrarily exclude any low- or moderate-income areas. No part of the assessment area is located in a Metropolitan Statistical Area (MSA).

The 1997 non-MSA median family income (MFI) for Minnesota is \$38,400. The following summarizes the income levels of individual Block Numbering Areas (BNAs) and Families located within the bank's assessment area:

	<b>BNA's</b>	<b>Percentage of Families</b>
<b>Low-Income (&lt;50% of Non MSA MFI)</b>	0	13%
<b>Moderate-Income (50-79%)</b>	0	14%
<b>Middle-Income (80-119%)</b>	3	22%
<b>High-Income (120% - &gt;)</b>	3	51%

We did not identify any unmet credit needs in FNB's assessment area. Community contacts indicated the Montgomery economy is prospering and there are many area financial institutions willing and able to provide all types of credit and other assistance.

## CONCLUSIONS WITH RESPECT TO PERORMANCE CRITERIA

### Loan-to-Deposit Ratio:

FNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's net LTD ratio has increased from 63% on March 31, 1995 to 75% on September 30, 1997, and averaged 66.4% during that period. FNB's lending levels are nearly identical to the 12 other independent community banks under \$100 million in assets serving the bank's assessment area. These banks had an average net LTD ratio of 74% on September 30, 1997.

### Lending in Assessment Area:

FNB makes a majority of its loans to borrowers located within its defined assessment area. Analysis of outstanding loans on September 18, 1997 shows that at least 70% but less than 90% of loans by number and by dollar volume were made to individuals, businesses, and farms located within the assessment area.

We used bank-generated ZIP code reports to determine the location of loan customers. Differences between ZIP code and BNA boundaries account for the 20% range in assessment area lending noted above. We verified the bank's data for accuracy.

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

The distribution of borrowers reflects excellent dispersion among individuals of different income levels, especially for consumer loans. Examiners sampled 58% of residential real estate loans and 10% of consumer loans by number volume originated in 1997.

	<b>Percentage of Residential Loans</b>	<b>Percentage of Consumer Loans</b>	<b>Percentage of Families</b>
<b>Low-Income</b>	0%	26%	13%
<b>Moderate-Income</b>	15%	24%	14%
<b>Middle-Income</b>	49%	27%	22%
<b>Upper-Income</b>	36%	23%	51%

The bank did not originate any residential loans to low-income persons in 1997. However, FNB received only two residential loan applications from low-income persons in 1997. Both were denied, in whole or in part, due to poor credit history. Our fair lending review did not identify any evidence of discrimination or disparate treatment.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes (Cont.):

FNB lends to farm and businesses of all sizes, with emphasis on small businesses and small farms. This is consistent with assessment area demographics, as 92% of reporting businesses and farms had less than \$1 million in annual gross revenues. Examiners sampled 65% of commercial borrowers and 66% of agricultural borrowers with loans originating in 1997.

Annual Revenues	FNB Borrowers		Total FNB Borrowers	Demographic % of Businesses/Farms
	Commercial	Agricultural		
<\$ ½ million	76%	100%	84%	86%
\$ ½ - \$1 million	12%	0%	8%	6%
> \$1 million	12%	0%	8%	8%

Geographic Distribution of Loans:

Geographic distribution analysis is not meaningful since there are no low- or moderate-income BNAs. All six BNAs in the bank's assessment area are classified as middle- or upper-income.

Response to Complaints:

The bank has not received any CRA related complaints since the last CRA exam.