



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**April 23, 2009**

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

Rosemount National Bank  
Charter Number 17462

P.O. Box 439  
Rosemount, MN 55068-0000

Office of the Comptroller of the Currency

MINNEAPOLIS SOUTH  
222 South Ninth Street Suite 800  
Minneapolis, MN 55402

**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.**

The major factors supporting the institution's rating are:

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment area.
- A majority of the bank's loans are originated to customers inside the assessment area.
- The bank has a reasonable distribution of lending to businesses of different sizes and borrowers of different incomes.
- The bank has an excellent dispersion of loans throughout the AA.

## **SCOPE OF EXAMINATION**

We evaluated Rosemount National Bank's (RNB) Community Reinvestment Act (CRA) performance from September 5, 2003 through December 31, 2008. Our review focused on commercial and consumer loans, as these were identified as the bank's primary products based on number and dollar volume of loans originated. For commercial loans during this period, the bank originated 27.7% by number and 74.3% by dollar volume. For consumer loans, the bank originated 70.5% by number and 22.5% by dollar volume.

In order to assess the bank's lending activity, we randomly sampled 20 commercial and 20 consumer loans originated between September 5, 2003 through December 31, 2008.

The bank is required to report home loan lending activity under the Home Mortgage Disclosure Act (HMDA). Since home mortgage loans are not a primary product of the bank, we did not utilize HMDA data in our CRA examination.

## **DESCRIPTION OF INSTITUTION**

RNB is a \$43 million bank in Rosemount, MN. Rosemount is located 15 miles south of the Twin Cities Metro, with a population of approximately 22,000. The bank has one branch located in St. Paul, MN, which is known as the Arcade branch. The bank has a deposit-taking ATM at both locations. RNB offers telephone and Internet banking services to both consumer and business customers.

RNB offers traditional loan and deposit products. As of December 31, 2008, the bank's net loans totaled 53.4% of total assets. The bank's \$23 million loan portfolio consisted of 67.1% commercial loans, 27.9% consumer loans, 4.4% home loans and 0.6% other loans.

RNB is 100% owned by Rosemount Financial Services, Inc., a one-bank holding company located in Rosemount, MN. Total assets of the holding company as of December 31, 2008 were \$43 million. The bank does not have any affiliate relationships that impact CRA performance.

RNB received a “Satisfactory” rating at the September 4, 2003 CRA examination. There are no financial, legal, or other factors affecting the bank’s ability to meet its CRA lending obligations.

## DESCRIPTION OF ASSESSMENT AREA

The bank’s assessment area (AA) includes all of Dakota and Ramsey Counties. Both counties are part of the Minneapolis - St. Paul - Bloomington, MN-WI Metropolitan Statistical Area (MSA). The AA contains 223 census tracts (CTs). Based on 2000 U.S. Census Bureau, 10 CTs are low-income, 59 CTs are moderate-income, 103 CTs are middle-income, 50 CTs are upper-income and 1 CT did not have any income information available. The AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

Demographic Information for the AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (CTs)	223	4.5%	26.5%	46.2%	22.4%
Population by Geography	866,939	3.8%	23.6%	49.1%	23.5%
Owner-Occupied Housing by Geography	230,252	1.6%	18.4%	52.9%	27.1%
Businesses by Geography	63,793	3.7%	24.8%	50.1%	21.4%
Farms by Geography	1,227	1.6%	13.8%	64.0%	20.6%
Family Distribution by Income Level	215,622	18.7%	19.2%	25.9%	36.2%
Household Distribution by Income Level	332,731	22.2%	18.7%	21.1%	38.0%
2000 Census Median Family Income (MFI)		\$65,449	Households Below the Poverty Level		7.0%
HUD-Adjusted MFI: 2009		\$83,900	Dakota County Unemployment Rate		7.9%
HUD- Adjusted MFI: 2008		\$80,900	Ramsey County Unemployment Rate		8.1%
HUD- Adjusted MFI: 2007		\$77,600			

Source: 2000 U.S. Census Data & March 2009 MN Workforce Center Data

The national recession has led to a decline in the local economy. The most significant economic activities in the MSA are retail and professional services, which have experienced increased unemployment levels. Declines in consumer spending have contributed to a rapid rise in retail job losses. Many of the area’s biggest employers have announced layoffs, including Target, 3M, Ameriprise, Ecolab, ING, Schwan’s Foods and Fair Issac. The unemployment rates in Dakota and Ramsey County are high, but remain below the state and national unemployment rates of 8.9% and 9.0%, respectively.

According to the 2000 U.S. Census, the median housing value in the AA was \$142,046. Comparatively, housing values were \$152,400 and \$126,400 in Dakota and Ramsey Counties. Pursuant to the Moody's Economy Report, housing values in the MSA have fallen similarly to the U.S. Average. As of February 2009, housing values have fallen approximately 21% from their 2006 peaks. Housing values are expected to decline through 2009, and demand for housing is expected to follow national trends. Bank management also indicated that residential real estate development in Rosemount has experienced slowdowns consistent with regional and national trends.

The banking environment is highly competitive in the AA. According to the June 30, 2008 FDIC Deposit Market Share Report, RNB has only 0.2% of the deposit market share in the AA and competes with over 50 financial institutions. A majority of the competition is from large financial institutions, which comprise 63.7% of the deposit market share in the AA.

We made one community contact during our examination. The contact was a community development director. They stated that all local financial institutions are active in meeting the credit needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

RNB's net loan-to-deposit ratio is reasonable given the bank's size and financial condition, and the credit needs of the AA. The bank's quarterly net loan-to-deposit ratio averaged 72.3% for the 22 quarters from September 30, 2003, through December 31, 2008. Based on this ratio, the bank ranked fifth compared to seven similarly-situated banks in the AA. These similarly-situated banks had total assets ranging from \$39.7 million to \$78.5 million.

Institution Name	Total Assets \$(000)s (as of 12/31/2008)	Average Loan to Deposit Ratio 3Q03-4Q08
Pinehurst Bank	60,074	113.2%
Lakeview Bank	64,071	99.0%
Gateway Bank	78,453	96.8%
Key Community Bank	71,961	85.9%
<b>Rosemount National Bank</b>	<b>43,370</b>	<b>72.3%</b>
Capital Bank	39,744	65.8%
The First State Bank of Rosemount	60,078	52.3%

Source: Call Report Data

## Lending in Assessment Area

RNB originates a majority of its loans to borrowers inside the AA. In order to determine the bank's lending activity in the AA, we pulled a random sample of 20 commercial loans and 20 consumer loans originated from September 5, 2003 through December 31, 2008. Loans originated within the AA totaled 70.0%. The following table details the bank's lending within the AA:

Lending in the AA					
Loan Type	Number of Loans Inside		Number of Loans Outside		Total
	#	%	#	%	
Commercial Loans	11	55.0%	9	45.0%	20
Consumer Loans	17	85.0%	3	15.0%	20
Totals	28	70.0%	12	30.0%	40

Source: OCC Loan Sample

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

The bank has a reasonable distribution of lending to businesses of different sizes and borrowers of different incomes.

RNB has a reasonable distribution of loans to businesses of different sizes. Based on our sample of 20 commercial loans in the AA, the bank originated 70.0% of its loans to small businesses with gross annual revenues below \$1 million.

The amount of businesses with unreported revenues is high at 29.9%. Bank management indicated that a majority of the businesses in this category would be borrowers with revenues less than \$1 million since many sole proprietorships in the AA do not formally report business revenues. Given this information and comparing the bank's lending to the demographics in the AA, we determined that the bank's lending to small businesses is reasonable. The following table summarizes commercial lending activity by revenue size:

Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	64.2%	5.9%	29.9%	100%
% of Bank Loans in AA by #	70.0%	30.0%	-	100%
% of Bank Loans in AA by \$	79.2%	20.8%	-	100%

Source: OCC Loan Sample & 2008 Business Geodemographic Data

RNB's lending to consumers with different income levels is reasonable. Consumer loans are loans to one or more individuals for household, family or other personal expenditures. The bank meets demographics for consumer loans made to both low- and moderate- income households. The following table shows the distribution of consumer loans among borrowers of different income levels for the period of September 5, 2003 through December 31, 2008, as compared to the percent of households in each income category:

<b>Borrower Distribution of Consumer Loans in the AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	22.2%	20.0%	18.7%	15.0%	21.1%	35.0%	38.0%	30.0%

Source: OCC Loan Sample & 2000 U.S. Census Data

### **Geographic Distribution of Loans**

The bank has an excellent dispersion of loans throughout the AA. No conspicuous lending gaps were identified within the AA. We put more weight on the geographic distribution of business loans over consumer loans, as the bank originated a majority of all loans by dollar volume to businesses.

The bank has an excellent dispersion of business loans in CTs of different income levels. In particular, the dispersion of business loans in moderate-income tracts is excellent, as it exceeds the demographic. While the bank did not originate any loans in low-income tracts, the demographic shows only 3.7% of businesses were located in these CTs. Therefore, opportunities for the bank to make business loans in low-income tracts was limited.

<b>Geographic Distribution of Loans to Businesses in AA</b>								
CT Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	3.7%	0.0%	24.8%	35.0%	50.1%	50.0%	21.4%	15.0%

Source: OCC Loan Sample & 2008 Business Geodemographic Data

The bank has a reasonable dispersion of consumer loans in CTs of different income levels. The number of consumer loans originated in moderate-income tracts meets the demographic. RNB did not originate any loans in low-income tracts. However, this is reasonable since the demographic shows only 3.2% of households were located in low-income CTs.

<b>Geographic Distribution of Consumer Loans in AA</b>								
CT Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer	3.2%	0.0%	23.9%	25.0%	51.0%	65.0%	21.9%	10.0%

Source: OCC Loan Sample & 2000 U.S. Census Data

### **Responses to Complaints**

RNB has not received any CRA related complaints since our last examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices that would inhibit the bank's ability to meet community credit needs.