



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**May 03, 2006**

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

**Falcon National Bank  
Charter Number 24373**

**183 Cedar Drive  
Foley, MN 56301**

**Comptroller of the Currency  
Minneapolis North  
920 Second Avenue South 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 Bank's average loan-to-deposit ratio is reasonable at 80%.
- The Bank originates a majority of its loans by number and dollar within its assessment area.
- The Bank has a reasonable distribution of credit among business borrowers of different revenue sizes.
- The geographic distribution of business loans among low and moderate income census tracts within the assessment area is reasonable.
- The Bank has not received any CRA related complaints.

## **DESCRIPTION OF INSTITUTION**

Falcon National Bank (Falcon) is a \$47 million bank located in Foley, Minnesota. As of December 31, 2005, Falcon's loan portfolio totaled \$40 million, or 76% of total assets. Falcon offers traditional products and services, including a drive-up facility and ATM access. Falcon has no branch locations. Falcon is owned 100% by Centra Ventures Inc., a one-bank holding company. Falcon does not have any bank or non-bank affiliates engaged in lending activities that impact its CRA performance.

Falcon's primary product is business lending. Falcon's loan portfolio consists of 81% business loans, 14% 1-4 family residential real estate secured loans, and 5% consumer and other loans.

There are no legal impediments or other factors outstanding that limit Falcon's ability to meet credit needs of its assessment area. Falcon began operations in July of 2003; this is its first CRA performance evaluation.

## **DESCRIPTION OF ASSESSMENT AREA**

Falcon's assessment area (AA) consists of the St. Cloud Metropolitan Statistical Area (MSA) and a few adjacent tracts on the eastern side of the MSA. Census Tracts adjacent to the MSA and included in the AA are numbers 303, 302, 9706, 9704, 9705, and 9805. The inclusion of the adjacent census tracts does not materially change the demographics of the AA. Falcon is located in census tract number 201, which is the easternmost tract located in the St. Cloud MSA. Falcon's AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

The following table illustrates the geographies, by income, within the AA.

| <b>Assessment Area by Income Level</b> | <b>Number of Census Tract</b> | <b>Percent of Census Tract</b> |
|--|-------------------------------|--------------------------------|
| Low Income                             | 1                             | 3.33%                          |
| Moderate Income                        | 3                             | 10.00%                         |
| Middle Income                          | 22                            | 73.33%                         |
| Upper Income                           | 3                             | 10.00%                         |
| Not Applicable                         | 1                             | 3.34%                          |

The AA includes 12,138 businesses. The following table illustrates AA business demographics, by reported revenue size and employees numbers, respectively, as of the year 2000.

| <b>Reported Annual Revenue Level</b> | <b>Number of Businesses</b> | <b>Percentage of Total Businesses</b> |
|--------------------------------------|-----------------------------|---------------------------------------|
| Less than \$500 thousand             | 7,315                       | 60.27%                                |
| \$500 thousand to \$1 million        | 492                         | 4.05%                                 |
| \$ 1 million to \$25 million         | 648                         | 5.34%                                 |
| Greater than \$25 million            | 53                          | .44%                                  |
| Did not report                       | 3,630                       | 29.90%                                |

| <b>Reported Number of Employees</b> | <b>Percentage of Total Businesses</b> |
|-------------------------------------|---------------------------------------|
| Less than 50                        | 77.34%                                |
| 50 or More                          | 2.38%                                 |
| Did not report                      | 20.28%                                |

The population of the AA, according to 2000 census data, was 144,054 people. Total households were 52,575 with 9.54% of households having income below the poverty level. Total families in the AA were 34,342. Per 2000 census data the weighted average of the St. Cloud MSA median family income was \$60,600. The following table illustrates family income demographics within the AA.

| <b>Family Income Level*</b> | <b>Percent of Families</b> |
|-----------------------------|----------------------------|
| Low Income                  | 15.40%                     |
| Moderate Income             | 19.35%                     |
| Middle Income               | 27.63%                     |
| Upper Income                | 37.62%                     |

\* Refer to 12 C.F.R. § 25 for definitions of income levels.

According to the Minnesota Workforce Center, the unemployment level as of April 2006 in the St. Cloud MSA was 4.3% compared to the State of Minnesota at 4.2% and 4.5% nationally. Major employers in the St. Cloud MSA include CentraCare/St. Cloud Hospital, Cold Spring Granite Co., Electrolux Home Products, St. Cloud State University, and Gold 'n Plump Poultry Inc.

Competition in the AA is strong. There are 42 financial institutions in the area including Falcon, along with several credit unions and branches of four large national banking companies. Our community contact listed small business lending as a credit need in the AA. The contact stated that area banks are doing a good job of meeting the credit needs in the AA.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

Falcon’s loan-to-deposit (LTD) ratio is reasonable. Falcon’s LTD ratio ranged from 54% to 103% over the last 10 quarters. Falcon’s average LTD ratio since opening in July 2003 was 80% compared to an average of 78.71% for similarly situated banks (defined as banks with total assets between \$20MM and \$70MM as of 12/31/05, having only one location, and located within the Minnesota counties of Benton, Mille Lacs, Sherburne, or Stearns). One similarly situated bank had an unusually low LTD ratio compared to the remaining banks; if that bank’s ratio were excluded, the average LTD ratio for the remaining banks would be 86.65%. Falcon’s average LTD ratio is slightly below this but is reasonable given its short history of operations.

### **Lending in Assessment Area**

Falcon’s record of lending in its AA is reasonable. Falcon originated 85% by number and 74% by dollar of its business loans within its AA. We analyzed a random sample of 20 business loans originated between January 1, 2004 and May 30, 2006 to determine borrower location. Business loans were selected as Falcon’s primary loan type based on the volume of originations since opening compared to other loan types.

### **Lending to Businesses of Different Sizes**

Falcon’s distribution of loans in its AA to businesses of different revenue sizes is reasonable. We analyzed a random sample of 20 business loans originated between January 1, 2004 and May 30, 2006 to determine borrower revenue size. The following table shows Falcon's distribution of business loans by business revenue sizes compared to the demographics for the area. Given the high percentage of businesses in the AA that did not report revenues, we placed less emphasis on the ratios, however, consider Falcon's distribution of loans in its AA to businesses of different revenue sizes reasonable.

| <b>Revenue Size of Business</b> | <b>Percentage by number of originations</b> | <b>Percentage by dollar of originations</b> | <b>Demographic for Assessment Area*</b> |
|---------------------------------|---|---|---|
| Less than \$1 Million           | 65%   | 71.28%                                      | 62.16%                                  |
| Greater than \$1 Million        | 35%   | 28.72%                                      | 5.73%                                   |
| Revenue Not Reported            | 0%  | 0.00%                                       | 32.11%                                  |

\* per 2005 business demographic data for business

### **Geographic Distribution of Loans**

Falcon's geographic distribution of business loans within its AA is reasonable. The following table below shows the Falcon's distribution of business loans by income tract level.

| <b>Income Level of Geography</b> | <b>Percentage by number of originations</b> | <b>Percentage by dollar of originations</b> | <b>Assessment Area Businesses %</b> |
|----------------------------------|---|---|-------------------------------------|
| Low Income                       | 0.00%                                       | 0.00%                                       | 4.79%                               |
| Moderate Income                  | 5.00%                                       | .36%  | 9.82%                               |
| Middle Income                    | 85.00%                                      | 93.36%                                      | 70.37%                              |
| Upper Income                     | 10.00%                                      | 6.28%                                       | 15.02%                              |

We analyzed a random sample of 20 business loans originated between January 1, 2004 and May 30, 2006 to determine borrower location by geography. While Falcon's lending to businesses located in low and moderate census tracts is below the demographic, we considered a number of factors, including Falcon's location within the AA, competition within the AA, limited time of existence, and comments by community contacts to assess our conclusion.. Specifically, Falcon does not have a branch location in low or moderate income census tracts. Review of all business lending activity within the AA shows low income geographies are serviced by other institutions in closer proximity to the geographies.

**Responses to Complaints**

Falcon has not received any CRA related complaints.

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

We found no evidence of illegal discrimination or other illegal credit practices.