



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Midway National Bank of St. Paul
Charter Number 13131**

**1578 University Avenue West
St. Paul, MN**

**Office of the Comptroller of the Currency
Minneapolis Duty Station
920 Second Avenue South, Suite 800
Minneapolis, MN**

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 CRA performance of **The Midway National Bank of St. Paul** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 17, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. 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 record of meeting community credit needs.”**

The bank has a strong record of lending to low- and moderate-income individuals and a relatively high level of community development lending. Services are tailored to the convenience and needs of the assessment areas, particularly at the St. Paul office which is located in a low-income neighborhood. However, the amount of qualified investments is small in relation to the bank's size and capacity.

This evaluation covers calendar years 1995 and 1996 with respect to Home Mortgage Disclosure Act (HMDA) reportable loan products. The evaluation covers calendar year 1996 for small business loans, since it was the first year such data was required to be collected and reported under the revised CRA regulation. At the bank's option, we also reviewed data on consumer loans from 1996. We did not review small farm loans. Self-employed farmers make up less than 1% of the assessment areas' population. In addition, the bank did not report any small farm loan originations within the assessment areas during 1996.

The following table indicates the performance level of **The Midway National Bank of St. Paul** with respect to the lending, investment, and service tests.

Performance Levels	The Midway National Bank of St. Paul		
	Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory			
Needs to improve		X	
Substantial Noncompliance			

Description of Institution and Operations:

Midway National Bank of St. Paul is a privately owned \$350 million bank which operates a main office located in St. Paul, MN and three branch locations. The main office is located on the corner of University and Snelling Avenues in St. Paul, MN. Two branches are located in the southern Minneapolis/St. Paul suburbs of Apple Valley, MN and Burnsville, MN. The third branch is located at Friendship Village (a retirement community) in Bloomington, MN. The bank also serves its customers with two automated teller machines located at the main bank and one at the Apple Valley location.

With the exception of Friendship Village, all branches offer commercial banking services, mortgage loans, trust and investment management services, and credit insurance. The Friendship Village branch was established to service residents and employees of a secured retirement community and is not accessible to the public. The branch offers limited services (mostly deposit services). There are no onsite lenders, but the branch will accept loan applications for processing at another branch.

Lending is concentrated in commercial and commercial real estate loans. The bank's loan portfolio mix is as follows: commercial real estate 36%, commercial 23%, residential real estate 22%, and loans to individuals and other loans 19%. Between March 31, 1995 and March 31, 1997, the bank's loan-to-deposit ratio increased modestly and averaged 63%. Primary competition includes numerous community banks in the Minneapolis/St. Paul metropolitan area and several large banks with more than a billion dollars in total assets. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

Description of Assessment Areas:

The bank's assessment areas meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas. The bank has designated two assessment areas; both of which are located within the Minneapolis/St. Paul Metropolitan Statistical Area (MSA 5120). The first area includes all of Ramsey County, all of Dakota County except the eight census tracts furthest south and east, and the census tracts in Scott County that comprise the communities of Savage, Shakopee, and Prior Lake. The second assessment area is one census tract where the Friendship Village branch is located.

We combined the assessment areas for our review due to the small size of the second assessment area. The two assessment areas include 191 census tracts (7% low-income tracts, 39% moderate-income tracts, 54% middle-income tracts, 17% upper-income tracts, and 1% of tracts with no reported income). The breakdown by family income levels is 18% low-income, 18% moderate-income, 27% middle-income, and 37% upper-income.

The local economy is good. The major industry within the combined assessment area is services, with manufacturing and retail trade the next largest industries. The overall employment has been increasing with 3% average growth over the last two years. The unemployment rate for the bank's combined assessment area was below 3% during the fourth quarter of 1996. The total population of the bank's combined assessment area is 770,671 with 73% of these persons being over the age of 16 (per 1990 census data). The Department of Housing and Urban Development's 1996 median family income for the Minneapolis/St. Paul MSA is \$54,600. Local housing consists primarily of 1-4 family units (69%) of which 63% are owner-occupied.

Conclusions with Respect to Performance Tests

Lending Test

Overall, Midway National Bank's lending activities demonstrate:

- adequate responsiveness to assessment area needs,
- a high percentage of loans originated in the combined assessment area,
- adequate geographic distribution of loans inside the combined assessment area,
- good distribution of loans among borrowers of different income levels and businesses of different size,
- a relatively high level of community development loans, and
- reasonable use of flexible lending criteria; however, limited use of innovative lending practices.

Assessment area concentration - A high percentage of loans are made in the bank's combined assessment area. The following table shows the number and amount of home mortgage, consumer, and small business loans originated by the bank. Home mortgage loans include all types of HMDA reportable loans originated in 1995 and 1996 (i.e. home purchase, refinance, home improvement). Our analysis of the individual HMDA loan types showed similar ratios during this evaluation period, so we combined these loan types for presentation. Consumer and small business loans are originations during 1996.

Ratio of Loans Inside the Assessment Area (AA)				
	Home Mortgage	Consumer	Small Business	Total
<u>Number</u>				
# of Loans Inside the AA	411	726	265	1,432
Total # of Loans	536	996	392	1,924
Loans Inside/Total # of Loans	77%	73%	68%	74%
<u>Dollars</u>				
\$ of Loans Inside the AA	\$18,944	\$14,192	\$40,040	\$73,176
Total \$ of Loans	\$30,905	\$20,829	\$68,231	\$119,965
Loans Inside/Total \$ of Loans	61%	68%	59%	61%

Source: 1995 & 1996 HMDA LAR
 1996 Consumer Loan Data Reports
 1996 Small Business/Small Farm Loan Data Collection Register
 Dollar Amounts in \$000's

Lending Activity - Lending levels reflect adequate responsiveness to assessment area credit needs. The bank was particularly responsive to small business and consumer loans.

Geographic Distribution - The geographic distribution of loans reflects an adequate penetration throughout the combined assessment area. We compared the percent of loans made at each income level to the percentage of census tracts within the combined assessment area at each income level. The level of loan activity in the low- and moderate-income tracts in relation to the number of low- and moderate-income tracts in the combined assessment area is reasonable.

The following table illustrates the number and dollar amount of home mortgage, consumer, and small business loans that were originated in low-, moderate-, middle-, and upper-income census tracts. The distribution shows that approximately 14% of home mortgage, consumer, and small business loan originations were in low- or moderate-income tracts. This compares to 28% of the combined assessment area's census tracts that are low- or moderate-income. For this analysis, we consolidated the distribution of home mortgage, consumer, and small business loan originations into one chart.

Geographic Distribution of HMDA, Consumer & Small Business Loans						
Tract Income Level	Distribution of Originated Loans by Tract Income Level Within the Assessment Area				Distribution of Tracts by Income Level	
	Number	Percent of Total	\$Amount	Percent of Total	Number	Percent of Total
Low	36	3%	\$1,165	2%	14	7%
Moderate	148	11%	\$6,229	8%	39	21%
Middle	787	56%	\$47,508	65%	104	54%
Upper	431	30%	\$18,274	25%	32	17%
NA	1	-	\$44	-	2	1%
Total	1403	100%	\$73,220	100%	191	100%

Source: 1995 & 1996 HMDA LAR
 1996 Consumer Loan Data Reports
 1996 Small Business/Small Farm Loan Data Collection Register
 NA - Location not available
 Dollars in \$000's

Borrower Characteristics - The distribution of borrowers reflects good penetration among retail customers of different income levels and business customers of different sizes. For this analysis, we reviewed the distribution of home mortgage, consumer, and small business loan originations separately.

Home Mortgage Loans:

Midway National Bank has a reasonable distribution of home mortgage loan originations within the bank's combined assessment area to borrowers with different income levels. We compared the percentage of loans made at each income level to the percentage of families at those income levels.

The distribution shows that approximately 10% of home mortgage loans originated in 1995 and 1996 were made to low-income individuals. This compares to 18% of the combined assessment area's families that are low-income. Market demographics indicate that approximately 8% of families in the combined assessment area are living below the poverty level, which represents approximately 44% of families categorized as low-income. The volume of families living below the poverty level lowers the percentage of low-income families that could potentially become home borrowers.

Borrower Distribution of HMDA Loans Within the Assessment Area (AA)					
	Distribution of Loans by Income Level				
Originations and Purchased HMDA Loans for 1995 & 1996	Number of Loans in the AA	Percent of Total	\$Amount of loans in the AA	Percent of Total	Income Level of Families Within the AA
Low-Income Borrowers	42	10%	\$714	4%	18%
Moderate-Income Borrowers	86	21%	\$2,191	12%	18%
Middle-Income Borrowers	128	31%	\$3,948	21%	27%
Upper-Income Borrowers	151	37%	\$9,591	50%	37%
NA	4	1%	\$2,500	13%	-
Total	411	100%	\$18,944	100%	100%

Source: 1995 & 1996 HMDA LAR
 NA - income information on the borrower was not available
 Dollar Amounts are in \$000's.

Consumer Loans:

Midway National Bank has a good distribution of consumer loan originations within the bank's combined assessment area to borrowers with different income levels. We compared the percentage of loans made at each income level to the percentage of families at those income levels.

The level of Midway National Bank's consumer loan originations within the bank's combined assessment area to persons with low- or moderate-income is good in relation to the percent of low- and moderate-income families living in the combined assessment area. The distribution shows that approximately 14% of consumer loans originated in 1996 were originated to low-income individuals. This compares to 18% of the combined assessment area's families that are low-income. In addition, the distribution shows that approximately 19% of these loans were originated to moderate-income individuals. This compares to 18% of the combined assessment area's families that are moderate-income.

Distribution of Consumer Loans Within the Assessment Area (AA)					
	Distribution of Loans by Income Level				
Consumer Loans Originated in 1996	Number of Loans	Percent of Total	Dollar Amount of Loans	Percent of Total	Income Level of Families Within AA
Low-Income Borrowers	102	14%	\$822	6%	18%
Moderate-Income Borrowers	138	19%	\$1,949	14%	18%
Middle-Income Borrowers	180	25%	\$2,947	21%	27%
Upper-Income Borrowers	252	34%	\$5,794	40%	37%
NA	54	7%	\$2,680	19%	-
Total	726	100%	\$14,192	100%	100%

Source: 1996 Consumer Loan Data Reports
Dollar Amount in \$000's

The table shows a higher penetration of lending to low- and moderate-income persons with the bank's consumer loan products than home mortgage loan products.

Small Business Lending:

The distribution of the bank's small business loans reflects good penetration among business customers of different size. The following table summarizes the bank's small business lending by varying loan amounts. Based on our analysis of the 1996 Small Business and Small Farm Data Collection Register, the bank originated a significant percentage, approximately 68%, of its small business loans in amounts of \$100,000 or less.

Small Business Loans by Loan Amount at Origination				
Amount	Number	Percent of Total	\$ Amount	Percent of Total
Less than \$100,000	180	68%	\$8,147	20%
Between \$100,000 and \$250,000	34	13%	\$5,591	14%
Greater than \$250,000	51	19%	\$26,302	66%
Total	265	100%	\$40,040	100%

Source: 1996 Small Business/Small Farm Loan Collection Data Register
Dollar Amounts in \$000's

The bank's distribution of small loans to businesses reflects reasonable representation of businesses of different revenue levels. The information on the revenue size of the business borrowers is useful because, in combination with loan amount information, it enables us to make judgments about the size of businesses receiving reported loans. Loans of \$1,000,000 or less as reported on the call report are considered small loans to businesses. Based on our analysis of the 1996 Small Business and Small Farm Data Collection Register, the bank originated a reasonable percentage, approximately 46%, of its small business loans to businesses with gross annual revenue of \$1,000,000 or less.

Loans to Small Businesses With Revenues less than \$1 million Within the Assessment Area				
Type of Loan	Number	% of Total Business Loans	\$ Amount	% of Total Business Loans
Revenue < \$1 million	122	46%	\$14,970	37%
Total Small Business	265	100%	\$40,040	100%

Source: 1996 Small Business/Small Farm Data Collection Register
Dollar Amounts are in \$000's

Community Development Lending - Midway National Bank has made a relatively high level of community development loans since the last CRA examination. Community development loans must meet the definition in the revised CRA regulation which states that such a loan must have as its primary purpose community development. Community development purpose is defined as affordable housing for low- and moderate-income (LMI) individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet size and revenue standards defined by regulation; and activities that revitalize or stabilize LMI geographies. Community development loans specifically exclude loans which have been reported as HMDA or small business loans, except for multi-family rental housing loans which can be reported under both categories.

Loans totaling \$9 million qualify as community development lending. These include \$5 million to developers of mobile home parks for infrastructure, which provide affordable housing for low- and moderate-income individuals; \$2.1 million to a religious social service, which provides housing to elderly low- and moderate-income individuals; and \$1.9 million in loans for multi-family dwellings benefitting low- and moderate-income individuals.

Innovative or Flexible Lending Practices - The bank uses flexible lending criteria to address the credit needs of low- and moderate-income individuals and geographies. However, the extent of activity under these programs is limited. The flexible lending programs which serve low- and moderate-income borrowers include the **Community Builder** and **Credit Builder** programs. These programs are similar to programs offered by other banks throughout the combined assessment area.

- In 1995, the bank offered the **Community Builder** program. This program offered home improvement loans to low- and moderate-income households. Qualified applicants borrowed up to 100% of the equity in their homes, and underwriting for these loans allowed a higher than customary debt-to-income ratio. The bank had 34 applications for the program and made 20 loans totaling more than \$310,000.
- The **Credit Builder** is a loan program that offers individuals with no credit history or a poor credit performance an opportunity to establish/reestablish a good credit history. The bank has sponsored two seminars on *How to Establish or Reestablish Excellent Credit*. The bank offers a Credit Builder Loan to individuals once they have successfully completed the seminar.

Investment Test

Midway National Bank made a limited amount of qualified community development grants in support of community organizations that focused on affordable housing and community services for low- and moderate-income families. The dollar amount of qualified investments during the past two years totaled \$34,750, and is small in relation to the bank's size and capacity. These investments were all donations to organizations such as University UNITED and H-MARC. University UNITED is a community development corporation that provides funds to businesses along University Avenue to improve the viability of the area. H-MARC provides funds to stabilize the Hamline/Midway area through the purchase and renovation of neighborhood properties benefitting LMI individuals.

Service Test

The bank provides a relatively high level of community development services. Services are tailored to the convenience and needs of the combined assessment area, particularly at the St. Paul office which is located in a low-income neighborhood. Bank management has made a decision to maintain the bank's main office in St. Paul. The banking building is undergoing extensive remodeling which demonstrates the bank's commitment to maintaining its presence and supporting enterprise in the area.

The bank's delivery systems are accessible to all portions of the combined assessment area. The bank has not opened or closed any offices. In 1995, management moved the Apple Valley office to a new building in the same vicinity. The bank's delivery systems were not adversely affected by this move.

Retail Banking Services: The bank's delivery systems are accessible throughout the combined assessment area, particularly in the low- and moderate-income areas. Of the 55 low- and moderate-income census tracts served by the bank, 14 low- and 39 moderate-income census tracts are located near the St. Paul office. The St. Paul office is located in a low-income neighborhood. The Apple Valley and Burnsville branches are located in areas where the majority of the census tracts are middle- to upper-income. There are two moderate-income census tracts served by these two branches. The branch at Friendship Village was opened in 1988 to specifically serve the deposit and check cashing needs of the residents and employees of this retirement community. Employees at the branch will accept loan applications for referral to the main branch.

Overall branch hours are appropriate and tailored to the convenience and needs of the combined assessment area. Saturday lobby hours are offered only at the Apple Valley branch. However, drive-up facilities are open on Saturday at the Burnsville and St. Paul offices. In addition, a walk-up window is open on Saturday at the St. Paul office.

Community Development Services: The bank provides a relatively high level of community development services. The bank's primary services include providing standard financial services, addressing credit counseling, and providing technical assistance in the financial services area. The following services include those targeted at low- or moderate-income individuals and small businesses:

- The bank has sponsored two seminars on *How to Establish or Reestablish Excellent Credit*. The bank offers a Credit Builder Loan to individuals once they have successfully completed the seminar.
- The bank offers a free checking account. This is a low-cost checking account targeted to low-income individuals. There is no minimum balance required, no monthly service charge, no per check charge, and includes an ATM card. Duplicate checks are offered with the account to assist with record keeping.

The following is a listing and description of community development services the bank offers in the bank's combined assessment area. Employees are actively involved in housing and business seminars that provide information to low- and moderate-income individuals and small businesses. We noted participation and sponsorship of various programs throughout the rating period.

- An employee of the bank provides financial expertise and serves as president of H-MARC, an organization serving low- and moderate-income individuals and devoted to the stabilization of the Hamline/Midway area of St. Paul.
- The bank continues to support the community development corporation (CDC), University UNITED, by providing financial expertise and through participation on the board and the executive committee. This CDC provides funds for business retention and expansion along University Avenue in St Paul, MN.
- Bank employees prepared underwriting standards for the distribution of grant funds for University UNITED.
- In May 1995, the bank sponsored a free seminar targeted to residents of low- and moderate-income census tracts. The seminar, titled *Successful Financial Management*, helps individuals improve or reestablish a credit history. The bank also sponsored the same seminar in April 1996.
- A bank employee regularly provides technical, financial, and operational advice to small businesses. In 1996, a Service Award was presented by SCORE (Service Corp of Retired Executives) in acknowledgment of the employee's exemplary service to the small business community through SCORE.
- At five seminars in 1996, an employee presented a program on *Financing Your Own Business*. These seminars were sponsored by SCORE in association with the Small Business Administration.
- In 1995, 1996, and 1997, the bank participated in and sponsored various housing fairs targeted toward low- and moderate-income individuals.

Compliance with Antidiscrimination Laws and Regulations

We did not find any violations of the substantive provisions of the antidiscrimination laws or regulations, or disparate treatment of loan applicants. The bank has policies, procedures, and an audit program designed to prevent and detect lending discrimination.