



Comptroller of the Currency
Administrator of National Banks

Small
Bank

PUBLIC DISCLOSURE

April 27, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Superior National Bank
Charter Number 14616**

**502 22nd Avenue East
Superior, Wisconsin 54880**

**Office of the Comptroller of the Currency
Duluth Field Office
302 West Superior Street, Suite 307
Duluth, Minnesota 55802**

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 **Superior National Bank** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of April 27, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C. F. R. § Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”

Superior National Bank is adequately providing credit throughout its assessment area consistent with the bank's size, market, and the area's credit needs. The bank does a good job lending to individuals with low- and moderate- incomes and to smaller businesses within its assessment area. The bank also received a “Satisfactory” rating in its previous CRA Public Evaluation dated May 3, 1996.

DESCRIPTION OF INSTITUTION

Superior National Bank is an independent \$26 million bank operating in the city of Superior, Wisconsin. Its main office is located at 502 22nd Avenue East and its single branch is nearby at 2820 East 2nd Street. The bank operates one ATM at a gas station/convenience store in Superior. The bank conducts its primary banking operations at the branch location where it offers a variety of loan and deposit products and services. The bank offers deposit products and services at the main office and refers loan applicants to its lending officers at the branch location.

Superior National Bank is primarily a consumer lender. The graph to the right shows the mix of the bank's current \$12 million loan portfolio.

More than 77% of the loan portfolio is consumer related through 1-4 family residential real estate and consumer installment loans. Approximately 23% is commercial or commercial real estate related loans.

No financial constraints or legal impediments inhibit the bank's CRA performance.

The bank is exempt from the reporting requirements of the Home Mortgage Disclosure Act (HMDA) because of its small size.

DESCRIPTION OF ASSESSMENT AREA - *Douglas County*

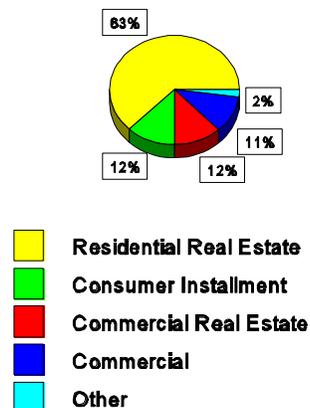
The bank's assessment area (AA) is Douglas County in Wisconsin. The AA is part of the Duluth/Superior metropolitan statistical area #2240. Per 1990 Census data, 41,758 people reside within Douglas County. A significant portion of the AA's population, 27,134, live in the city of Superior. The 1997 metropolitan median family income for Douglas County is \$40,600. Of the 11,265 families living in Douglas County, 22% meet the definition of low-income and 22% meet the definition of moderate-income.

Douglas County consists of thirteen census tracts, one defined as low-income, three as moderate-income, and nine as middle-income. Both bank locations are in a middle-income census tract while the low- and moderate-income tracts are across town in Superior. The AA defined by the bank meets regulatory requirements and does not arbitrarily exclude census tracts designated as low- or moderate-income.

The local economy is based on the lumber/paper, manufacturing, tourist, and shipping

Loan Portfolio

Distribution by Type



industries. Significant employment comes from the retail/wholesale, manufacturing, and governmental services sectors. Previous CRA examinations, community contacts, and examiners' general knowledge of the area affirm that the primary credit needs are for residential real estate, consumer, and small business loans. Banking competition occurs from several institutions ranging from \$24 million to \$176 million in total assets.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

Superior National Bank's current 52% loan-to-deposit ratio has been trending upward and is reasonable given the bank's satisfactory lending activity and the typical smaller size of the loans it originates. The bank has averaged a 48% quarterly loan-to-deposit ratio since its last CRA Public Evaluation dated May 3, 1996. The bank's loan-to-deposit ratio is below its national peer group average of 68% and the 84% average of several institutions competing in the bank's AA.

However, as mentioned, the bank generally originates a high volume of loans with smaller dollar balances, which affects the reported loan-to-deposit ratio. Since the bank's last CRA Public Evaluation, its two full-time lending officers have originated and/or renewed more than 1,300 loans totaling \$14 million. This averages slightly over \$10 thousand per loan. Originations by significant loan type are as follows:

- 780 consumer installment loans with an average size of \$3 thousand;
- 261 residential 1st and 2nd mortgage loans with an average size of \$25 thousand;
- 227 commercial loans with an average size of \$12 thousand; and
- 49 commercial real estate related loans with an average size of \$49 thousand.

Additional note: 101 of these consumer installment loans were for \$500 or less and 168 of these commercial loans were for \$10 thousand or less.

LENDING TO BORROWERS OF DIFFERENT INCOMES LEVELS

The bank continues to extend many of its residential real estate and consumer loans to borrowers with low- and moderate-incomes. The examiners reviewed bank reports of HMDA related loan originations. The bank originated 116 real estate related loans in its AA since its last CRA Public Evaluation. These loans totaled \$3,772,000.

As seen in the following charts, the distribution of loans by number and by dollar volume shows strong lending penetration throughout the various income levels. It also shows the bank is effectively extending real estate related credit to low- and moderate-income individuals. As

mentioned previously, the bank makes this credit available through a high volume of small dollar loans. These smaller loans better fit the needs of individuals with low- and moderate-incomes who possibly could not afford credit otherwise.

Originations of HMDA Reportable Loans by Borrower Income			
Loans originated since the May 3, 1996 CRA evaluation within the assessment area			
Income Category	Number of Loans and Percent	Dollar Volume (000s) and Percent	Population within AA
Low	34 29%	\$726 19%	22%
Moderate	35 30%	\$1,094 29%	22%
Middle	25 22%	\$840 22%	24%
High	22 19%	\$1,112 30%	32%

The examiners also selected a judgmental sample of 49 consumer borrowers within the bank's AA. These consumer installment files had at least one loan origination since the bank's last CRA examination. These loans totaled approximately \$181 thousand. Examiners obtained income data from 26 of these 49 files representing approximately one-half of sample's dollar volume. The remaining files did not contain income information. Based on an analysis of the income data obtained, the bank extends a significant volume of installment credit to low- and moderate- income individuals.

Originations of Consumer Installment Loans by Borrower Income			
Loans originated since the May 6, 1996 CRA evaluation within the assessment area			
Income Category	Number of Loans and Percent	Dollar Volume (000s) and Percent	Population within AA
Low	15 57%	\$36 44%	22%
Moderate	10 39%	\$40 49%	22%
Middle	1 4%	\$6 7%	24%
High	0	0	32%

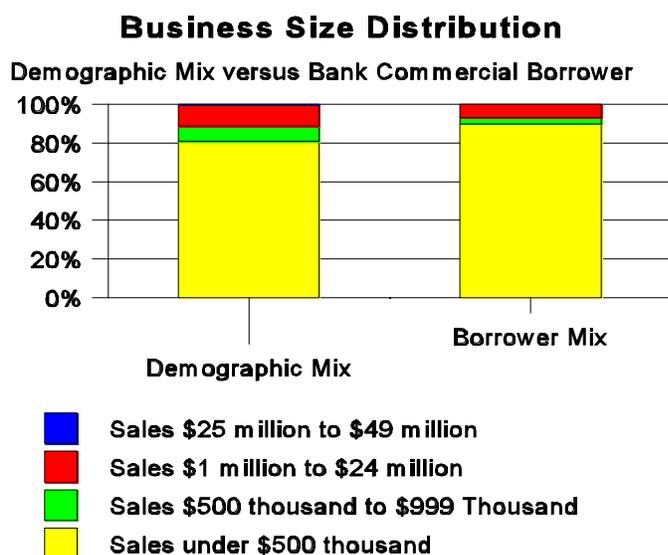
LENDING TO BUSINESSES OF DIFFERENT SIZES

The bank is satisfactorily lending to commercial businesses of various sizes consistent with its size and the business demographics of the AA. Most of the bank's commercial customers are small businesses. The bank also extends many loans that are for small amounts to its

commercial borrowers.

Examiners reviewed annual gross sales information from 29 of the bank's commercial loan customers within the AA. Total dollar volume of the sample was \$1 million and approximately 21% of the bank's commercial portfolio.

Examiners compared the distribution of the bank's commercial borrowers to the 1997 sales demographic data of 1,170 businesses compiled by Dunn and Bradstreet for the AA.



This graph shows that the bank's commercial customer base is consistent with the area's business characteristics. Almost 90% of the bank's 29 commercial borrowers in the sample reported sales under \$500 thousand. This is slightly higher than the 80% demographic representation of businesses in the AA reporting sales under \$500 thousand. In addition, the bank has several commercial borrowers with annual sales of under \$100 thousand.

The percentage by dollar volume of loans outstanding to its business borrowers is consistent with the percentage of borrowers by number. Of the total

outstanding \$1 million represented in the sample, \$889 thousand, or 82%, were comprised of loans to the bank's commercial borrowers with sales under \$500 thousand.

LENDING IN ASSESSMENT AREA

A substantial portion of Superior National Bank's lending is within its AA. The examiners reviewed the bank's report of the 123 residential real estate loans originated since the bank's last CRA examination in 1996. It shows that 116, or 94% by number, were within its AA. Of the \$4 million total dollar volume, 94% was within the AA. The previous CRA Public Evaluation showed similar real estate lending patterns.

In addition, the examiners reviewed a judgmental sample of 52 consumer installment originations. These loans totaled approximately \$188 thousand and were originated between May 1996 and April 1998. Of these loan originations, 49 or 96% by number were within the AA. Of the total dollar volume, \$182 thousand or 97% were within the AA.

GEOGRAPHIC DISTRIBUTION OF LOANS

Superior National Bank reasonably originates loans throughout its AA, including the low- and moderate-income census tracts. Examiners reviewed the same loan samples. The review shows similar lending patterns between the real estate loans and the consumer installment loans. Therefore, the data has been combined in the following table which shows the bank's primary lending occurs in the middle-income tracts nearest the banks' two locations.

Number of census tracts and income designations	Loan originations and % of the total number in sample		Dollar volume (in thousands) of originations and % of total dollar volume in sample		Percentage of the AA's population residing within the census tracts
1 Low-Income	3	2%	\$10	1%	4%
3 Moderate-Income	15	9%	\$298	7%	23%
9 Middle-Income	147	89%	\$3,600	92%	73%

Lending penetration is reasonable in the low- and moderate-income tracts given the following demographic characteristics of the census tracts. Per 1990 census data, only 1,717 people reside in the low-income census tract. The low- and, to some extent, the moderate-income census tracts have a significant portion zoned for industrial and commercial use. The low- and moderate-income tracts are across town from the bank's two offices and there are several competing banks in that area of Superior.

REVIEW OF COMPLAINTS

Neither Superior National Bank nor this regulatory agency has received any complaints regarding the bank's CRA performance since the last CRA examination dated May 3, 1996.

FAIR LENDING

The examiners did not identify any substantive violations of antidiscrimination laws during this examination of Superior National Bank.