



PUBLIC DISCLOSURE

April 20, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Integrity Bank, National Association
Charter Number: 23524**

**111 NE 4th Street
Staples, Minnesota**

**Office of the Comptroller of the Currency
Alexandria Field Office
1309 Highway 29 North, P. O. Box 849
Alexandria, Minnesota 56308**

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 Integrity Bank, National Association, Staples, Minnesota** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 20, 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 Integrity Bank, National Association's rating is based on the following factors:

- o The bank's record of extending credit to businesses, farms of different sizes, and individuals of different income levels is good.
- o The bank's loan-to-deposit ratio is reasonable.
- o A majority of the number of loans extended are within the bank's assessment areas.

DESCRIPTION OF INSTITUTION

First Integrity Bank, National Association is a \$62 million bank located in Todd County in central Minnesota. It is a full service bank offering traditional loan and deposit products as well as participation in innovative loan programs. The bank has a branch located in Motley, Minnesota, 7 miles from Staples, and automated teller machines in Motley and three locations in Staples.

The primary lending focus is residential and commercial real estate loans. The bank's March 31, 1998 financial information reflects that gross loans represent 58% of total assets. The loan portfolio distribution includes 57% real estate, 13% agriculture, 19% commercial and the balance in consumer and miscellaneous loans.

The bank is owned by First Integrity Bancorporation, a one bank holding company.

First Integrity was rated "Outstanding Record of Meeting Community Credit Needs" at the last CRA examination dated October 3, 1994. Since that examination the bank has sold its Frazee branch. As a condition of this sale, the bank entered into a noncompete agreement, which restricts its ability to solicit new loans in the area surrounding Frazee. Although the bank may still have loans in this area, it is no longer included in its assessment area.

During the examination process, contacts were made with the Central Minnesota Initiative Fund and Region Five Development. Both contacts stated that the local banks were active participants in the programs these organizations offered. The contacts felt there is a need for credit programs which would assist retail borrowers and minimal down payment programs for residential real estate borrowers.

DESCRIPTION OF THE FIRST NATIONAL BANK OF ASSESSMENT AREA

The bank's assessment area (AA) includes six block numbering areas (BNAs) located in Todd, Wadena, and Cass Counties. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Based on 1990 census data information, 5,544 families reside in the AA with a median family income of \$22,014. The AA consists of three BNAs that are considered moderate-income and three BNAs that are middle-income.

The local economy is reliant on agriculture and smaller manufacturing industries in Staples and Motley. Primary employers include the school systems, 3M, and the hospital located in Staples. Local competition includes Mid Central Federal Savings Bank, Security State Bank of Staples, Mid Minnesota Federal Credit Union, and Farm Credit Systems.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank’s loan-to-deposit (LTD) ratio is reasonable. The quarterly LTD ratio has averaged 74% since the last CRA examination. As of year-end 1997, the LTD was 65% which ranks fourth highest out of nine banks of similar size and located in or adjacent to the bank’s AA. The range of LTD ratios of these twelve banks is 25% to 85%.

The bank also offers residential real estate loans for the secondary market. The total of these loans, \$237,100, is not included in the above LTD. The bank has also sold loans amounting to approximately \$1,671,000. If these totals are included in total loans, the adjusted LTD ratio is 67%.

Lending in the Assessment Area

A majority of the loans the bank originates are in the designated AA. This was determined by using a bank generated report which lists all new loans originated during 1997 through March 31, 1998 and the location of these loans by block numbering area. The accuracy of this report was verified during the examination process. The table below illustrates the bank’s lending activities within its AA.

	Loans Originated
Total number of Loans Originated	1,877
Number of Loan Originations in AA	1,423
Percentage In AA	76%
Total Dollar of Total Loans Originated	\$17,949,000
Dollar of Loans Originated In AA	\$13,540,000
Percentage In AA	75%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes in the AA

First Integrity has a good record of lending to individuals of different income levels and businesses of all sizes. The bank participates in several programs that target low- and moderate-income borrowers and small businesses. These programs include Minnesota Housing Finance Agency Home Improvement, Title I Home Improvement, North Central Economic Development Association, Central Minnesota Initiative Fund, and Department of Trade and Economic Development Capital programs.

Consumer and Residential Real Estate Loans

The following table illustrates consumer lending activities. Of the 60 loans we sampled, 51 were within the bank’s AA. The loans within the AA totaled \$591,418, which represent 4% of the total number and 9% of the dollar volume of consumer and residential real estate loans originated during 1997 through March 31, 1998. The following chart reflects the distribution of these loans by income levels in comparison to 1990 census data information:

Income Level	% Families in the AA (1990 Census Data)	% Number of Loans Sampled	% Dollar Volume Loans Sampled
Low-Income < 50% Median Family income*	31%	25%	13%
Moderate-Income at least 50% < 80% Median Family Income*	21%	24%	28%
Middle-Income at least 80% < 120% Median Family Income*	23%	33%	38%
Upper-Income 120% and > Median Family Income*	25%	10%	16%
Insufficient application information to make determination	Not Applicable	8%	5%

* 1997 Outstate Median Family Income \$38,400

Business and Small Farm Loans

The next table illustrates loans to various size businesses and farmers within the bank's AA. Our sample included 18 loans within the AA totaling \$2,815,600. This sample represents 3% of the total number of loans and 25% of the total dollar volume of loans extended during the same time period as above.

Annual Gross Sales (000's)	% Number of Loans Sampled	% Dollar Volume Sampled
\$100 or less	17%	7%
\$101 - \$250	17%	4%
\$251 - \$1,000	38%	42%
> \$1,000	28%	47%

Geographic Distribution of Loans

Distribution of loans within the AA is reasonable. The following chart depicts the distribution of loans extended since January 1, 1997:

BNA #	Description	Number of Loans	Income Level
9608.98	North & East of Motley	296	Middle
9901	Staples Area	531	Middle
9902	Bertha-Hewitt Area	60	Moderate
9904	Browerville Area	110	Middle
9801	South & East of Motley	160	Moderate
9802.98	Northwest of Staples	266	Moderate

The BNA with the largest number of loans includes the city of Staples, the bank's main location. The areas surrounding Bertha, Hewitt, and Browerville have the lowest penetration because these areas are on the outer fringes of the bank's AA.

Record of Response to Complaints

The bank received no complaints concerning its performance in meeting the credit needs of its assessment area.

Record of Compliance with Anti-discriminatory laws

Based on our review, the bank is complying with anti-discriminatory laws. We found no substantive violations of the fair lending laws.