



## **PUBLIC DISCLOSURE**

September 8, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Parker's Prairie  
Charter: 6661**

**105 East Soo Street  
Parkers Prairie, Minnesota 56361**

**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 **The First National Bank of Parker's Prairie** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of September 8, 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.

The First National Bank of Parker's Prairie's rating is based on the following factors:

- The bank's record of extending credit to businesses and farms of all sizes and to consumers of all income levels is good.
- The majority of loans are extended within the bank's assessment area.
- The bank's loan-to-deposit ratio is reasonable.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Parker's Prairie (FNB) is a \$41 million bank located in Otter Tail County in west central Minnesota. FNB's facilities include the main office located in the city of Parkers Prairie and a branch in the city of Dalton. The bank has one automated teller machine located in the main office's walk-up area. FNB is owned by Parkers Prairie Bancshares, Inc., a two-bank holding company located in Parkers Prairie, Minnesota with an asset size of \$75 million. Midwest Bank of Waubun, MN is also owned by the holding company.

The bank offers traditional loan and deposit products and services. Primary product lines include small business and agriculture loans, residential real estate loans, and consumer loans. Using June 30, 1998 information, loans totaled \$22.3 million or 54% of total assets. The loan portfolio consists of agriculture (29%), commercial (42%), residential real estate (17%), and consumer loans (12%).

At the last CRA examination dated June 22, 1995, FNB was rated "Satisfactory Record of Meeting Community Credit Needs." There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the community.

## **DESCRIPTION OF THE FIRST NATIONAL BANK OF PARKER'S PRAIRIE'S ASSESSMENT AREA**

FNB's assessment area (AA) includes eight contiguous Block Numbering Areas (BNAs). These are in portions of Otter Tail, Todd, Douglas, and Grant Counties to include the areas surrounding the cities of Parkers Prairie and Dalton. The AA complies with the requirements of the regulation and does not exclude low- and moderate-income geographies. According to the 1990 census, the AA contained 6,529 families with a median family income of \$28,933. The median family income represents 71% of the outstate non-metro family income of \$40,500. The total family population consists of low income of 27%, moderate income of 23%, middle income of 23%, and upper income of 27%.

The AA consists of four moderate-income BNAs and four middle-income BNAs. The following table illustrates the BNAs designated by number, major city, and income designation.

| <b>BNA#</b>               | <b>9501</b> | <b>9613</b> | <b>9615</b>     | <b>9616</b> | <b>9617</b> | <b>9701</b> | <b>9902</b>    | <b>9903</b> |
|---------------------------|-------------|-------------|-----------------|-------------|-------------|-------------|----------------|-------------|
| <b>Major City</b>         | Miltona     | Henning     | Parkers Prairie | Urbank      | Dalton      | Elbow Lake  | Bertha, Hewitt | Eagle Bend  |
| <b>Income Designation</b> | Middle      | Moderate    | Moderate        | Middle      | Middle      | Middle      | Moderate       | Moderate    |

Total AA population consists of 6,529 families and a total of 23,244 persons. Of this, 19% are below the poverty level. The median value of housing is \$37,672 with a 59% rate of owner occupied housing. Three percent of the population are unemployed. Current economic conditions are relatively stable with some concern for the low commodity prices in the agricultural industry.

The local economy is heavily reliant on agriculture and small businesses. The major employers, outside small farms and small businesses, include the public school system and local health care facilities. Due to the close proximity to the Alexandria and Fergus Falls communities, employment opportunities are also available in these areas.

Within the AA, the communities of Ashby and Elbow Lake both contain state banks, and Henning has a national bank, which contribute to meeting the financial needs within their respective communities. Primary credit needs include agricultural, small business, and consumer loans. Determination of this need was confirmed through two community contacts. The mayors of Parkers Prairie and Dalton were contacted to determine perception of the needs and the bank's success in meeting these needs. Both individuals felt the needs are sufficiently met and the bank portrays a positive image to the communities.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

*Loan-to-Deposit Ratio*

FNB's loan-to-deposit (LTD) ratio is reasonable. The quarterly average ratio since the last CRA examination is 56%. As of June 30, 1998, the LTD ratio was 59% which ranks fourth of five similarly situated banks with an asset size of less than \$50 million located in or adjacent to the bank's AA, with a range of 43% to 88%.

*Lending in the Assessment Area*

FNB originates a majority of its loans within its AA. Because the bank recently converted to a new computer system, computer reports were not available to determine lending practices in the AA. We, therefore, based our conclusions on a sample of loans originated between January 1, 1997 and September 8, 1998. The sample consisted of 33 agriculture loans, 13 commercial loans, and 51 consumer loans for a total of 97 loans. This represented 10% of the loans originated during this time period. We determined that 79% of the number of loans and 73% of the dollar amount of the loans were made within the assessment area.

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

FNB has a good record of lending to individuals of different income levels and businesses of different sizes. The bank's primary product lines include consumer, agricultural, and commercial loans. The following tables represent the samples for each product type and indicate the distribution for each product.

**Consumer Loans:**

We reviewed the revenue distribution of 51 consumer borrowers with loan originations between January 1, 1997 and September 8, 1998. Total loan originations to these borrowers was \$2.8MM. Our consumer sample represented 10% of the number of consumer loans and 11% of the dollar volume of consumer loan originations during this period.

**Consumer Loans**

| <b>Income Levels</b>      | <b>% Families in the AA</b> | <b>% Number of Loans Sampled</b> | <b>%Dollar Volume Loans Sampled</b> |
|---------------------------|-----------------------------|----------------------------------|-------------------------------------|
| Low-Income*               | 27%                         | 39%                              | 17%                                 |
| Moderate-Income*          | 23%                         | 15%                              | 14%                                 |
| Middle-Income*            | 23%                         | 10%                              | 8%                                  |
| Upper-Income*             | 27%                         | 15%                              | 36%                                 |
| Information Not Available | N/A                         | 21%                              | 25%                                 |

\* Based on 1998 Outstate Median Family Income of \$40,500

**Agricultural Loans:**

We reviewed the revenue distribution of 33 agricultural borrowers with loan originations between January 1, 1997 and September 8, 1998. Total loan originations to these borrowers was \$6.1 MM. Our agricultural sample represented 10% of the number and 14% of the dollar volume of agricultural loans originated during this period.

**Agriculture Loans**

| <b>Revenue Size</b>   | <b>% by Number</b> | <b>% by Dollar Volume</b> |
|-----------------------|--------------------|---------------------------|
| < \$50,000            | 33%                | 28%                       |
| \$50,000 - \$100,000  | 43%                | 52%                       |
| \$100,000 - \$250,000 | 24%                | 20%                       |
| > \$250,000           | 0%                 | 0%                        |

**Commercial Loans:**

We reviewed the revenue distribution of 13 commercial borrowers with loan originations between January 1, 1997 and September 8, 1998. Total loan originations to these borrowers was \$6.4MM. Our commercial sample represented 11% of the number and 12% of the dollar volume of commercial loan originations during this period.

**Commercial Loans**

| <b>Annual Sales</b>   | <b>% by Number</b> | <b>% by Dollar Volume</b> |
|-----------------------|--------------------|---------------------------|
| < \$100,000           | 39%                | 29%                       |
| \$100,000-\$250,000   | 23%                | 27%                       |
| \$250,000-\$500,000   | 8%                 | 3%                        |
| \$500,000-\$1,000,000 | 15%                | 8%                        |
| >\$1,000,000          | 15%                | 33%                       |

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans is reasonable. We sampled 75 commercial, agricultural, and consumer loans with a dollar volume of \$ 1,191,905 within the AA. We found that 42 of these loans were made in moderate income BNAs 9615 and 9616. We noted loan activity in all BNAs except for BNAs 9902 and 9903, which are located in Todd County. We found that the majority of the lending was concentrated in close proximity to the Dalton and Parkers Prairie communities. Lending patterns decreased as the distance grew further from the bank offices. Management stated that few applications are received from the Todd County area because of the competition from other banks located in these communities. In addition, little advertising and solicitation of applications is done by the bank. To confirm the lack of applications from Todd County, we reviewed all denials during our sample period. We found only two denials and both were based on sound lending standards.

## **RECORD OF RESPONSE TO COMPLAINTS**

FNB 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.