
Comptroller of the Currency
Administrator of National Banks

Small Bank

Minneapolis Duty Station
920 Second Avenue South, Suite 800
Minneapolis, MN 55402

PUBLIC DISCLOSURE

March 29, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Anchor Bank West St. Paul, NA
66 East Thompson Avenue
West St. Paul, MN 55118**

Charter # 21179

**Office of the Comptroller of the Currency
920 Second Ave. S. Suite 800
Minneapolis, MN 55402**

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 Anchor Bank West St. Paul, prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 29, 1999. 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: ASatisfactory®

- o The bank has a reasonable distribution of lending to businesses and consumer borrowers of different income levels in relation to the demographics of the assessment area.
- o The bank originates a majority of their loans inside their assessment area.
- o The bank has a satisfactory loan-to-deposit ratio.
- o The bank has a reasonable penetration of loans originated in moderate income areas.

DESCRIPTION OF INSTITUTION

Anchor Bank West St. Paul is a \$117 million institution located in West St. Paul, Minnesota, a city of approximately 19,300 people located just south of downtown St. Paul. The bank has a main office, one branch and three ATMs. One ATM is located in a local restaurant, one is located in the bank's Apple Valley branch and the other at the bank's main office. Drive-up facilities are available at the main office and branch location. The bank is wholly owned by Anchor Bancorp, Inc., a \$500 million dollar multi-bank holding company headquartered in Wayzata, Minnesota.

The bank closed a branch located approximately 1.5 miles north of the bank's main location effective March 31, 1999. The bank originated in that location in 1923. However, the bank sold the property after building its new facility. For the past twelve years, the bank has leased this space to provide basic teller services in this moderate-income area. The property was sold to the Minnesota Housing Redevelopment Authority which plans to demolish the building and sponsor a future project on the site.

Anchor Bank has seven other similarly situated financial institutions ranging from \$38 million to \$293 million in assets to provide competition. In addition, the bank has substantial competition provided by two of the Midwest's largest financial institutions, three other midsized institutions with large branching networks, and various other independent banks and credit unions.

The bank's primary focus is commercial lending. As of December 31, 1998, the bank's loan mix consisted of 69% commercial and commercial real estate, 16% residential real estate, 14% consumer, and 1% other. Net loans and leases comprised 65% of the bank's total assets. The bank offers a vast range of credit products and deposit services. There are no legal or financial impediments limiting the bank's ability to meet community credit needs.

The bank's last CRA rating was an "Satisfactory Record of Meeting Community Credit Needs" dated January 23, 1996.

DESCRIPTION OF THE ASSESSMENT AREA (AA)

Anchor Bank West St. Paul's AA has a bell shape which follows the natural physical barrier of the Mississippi and Minnesota Rivers for the top and sides. The bottom barrier of the AA runs along 160th street in Rosemount and Apple Valley. The AA includes the cities of West St. Paul, Inver Grove Heights, Eagan, South St. Paul, Mendota, Sun Fish Lake, Mendota Heights, Lilydale, Rosemount, Coates, Apple Valley and Burnsville.

The bank's AA consists of forty-six census tracts (CTs). Four CTs are in the southern portion of Ramsey County and forty-two CTs are in the northern half of Dakota County. Seven of the CTs are designated moderate-income, twenty-seven are designated middle-income and twelve are designated upper-income. The bank's AA does not include any low-income CTs. Management chose not to include all of Ramsey County in its AA due the bank's geographic location and the substantial size of the county. In addition, the Holding Company has another bank located in St. Paul that also serves Ramsey County. The bank's AA covers the northern half of Dakota County while another sister bank has a

main office and branch located in Farmington that serves the southern portions of Dakota County. Anchor Bank West St. Paul is most heavily influenced by other competing financial institutions due to its location in the metropolitan area.

The bank's AA area meets the requirements of the regulation and does not arbitrarily exclude low-income geographies. There are seven moderate-income areas located in the bank's AA. Dakota County and Ramsey County are located in the Minneapolis-St Paul Metropolitan Statistical Area (MSA) #5120. Dakota County has no low-income census tracts and all four moderate-income census tracts are included in the bank's AA. Ramsey County has 14 low-income CTs and 34 moderate-income CTs. The other low- and moderate-income tracts are located across the river in St Paul and further north than the bank's AA. The bank has two sister-banks located in those areas.

Based on 1990 Census data, the population of the AA is approximately 229,560. The median family income from the 1990 census for the AA was \$43,063. The updated 1998 median family income for the MSA is \$60,800. A breakdown of family income levels in the AA show 13% are low-income, 17% are moderate-income, 27% are middle-income, and 43% are upper-income. Five percent of the number of households are below poverty level; the 1990 median housing value was \$100,099 and 67% of the housing is owner occupied.

The economy of West St. Paul is diverse with major employers like Dakota's Children, Inc.-residential care, Dakota County-government offices, Southview Acres Health Care and Target-department store. The assessment area also provides major employers like West Information Publishing Group, Blue Cross & Blue Shield Insurance, Lockheed Martin Tactical Defense Systems, United Parcel Service-UPS, Northwest Airlines, Fairview Ridges Hospital, Cray Research, Inc., Koch Refining Co. School Districts #6, 196 and #191. In addition, there are numerous other commercial and industrial businesses. The assessment area has a mix of mature areas needing rehabilitation to growing southern communities with rapid growth & expansion. Unemployment is low at 2%.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

Our samples and rating conclusions are centered on the bank's commercial and real estate lending in correspondence to the significant dollar volume of originations. This is also consistent with the general composition of the bank's loan portfolio. The following table illustrates the origination activity between January 1996 and March 1999. Our samples represent loan origination activity in this time period. Commercial and residential real estate originations accounted for 88% of all the bank's originations since our last review.

Loan Origination Activity January 1996 thru March 1999				
Type of Loan	Number of Loans	% of Total	Dollar Amount (000's)	% of Total
Commercial Loans	1,166	27%	\$111,861	57%
Residential Real Estate Loans	766	17%	\$60,201	31%
Home Equity Loans	234	5%	\$2,462	1%
Consumer Loans	2,125	48%	\$17,815	9%
Consumer Leases	134	3%	\$3,043	2%
Other	1	0%	\$145	0%
Totals	4,426	100%	\$195,527	100%

Data Source: Bank

Records

**It should be noted that the bank sells the majority of its mortgage loans in the secondary market. From May 1996 to December 1998 the bank sold 428 loans in the secondary market totaling \$46 million dollars.

The bank has a reasonable distribution of lending to consumer borrowers of different income levels in relation to the demographics of the assessment area. We reviewed all 88 originated real estate loans in the bank's AA that the bank reported for the Home Mortgage Disclosure Act (HMDA) for 1996, 1997 and 1998. The review consisted of 49 loans in 1998 totaling \$1.5 million, 21 loans in 1997 totaling \$512 thousand and 18 loans in 1996 totaling \$608 thousand. The bank's number of loan originations to individuals of low- and moderate-income levels generally matches the demographics for the AA.

Lending Distribution Based on Income Level of Consumer Borrowers January 1996 - December 1998 Residential Real Estate Loan Originations			
Borrower Income Level	Bank Lending Distribution by Number of Loans	Percentage of Families in each Income Category (census information)	Bank Lending Distribution by Dollar of Loans
Low	11%	13%	9%
Moderate	20%	17%	12%
Middle	36%	27%	36%
Upper	33%	43%	43%
Totals	100%	100%	100%

The bank's distribution by dollars appears slightly lower than the demographics for the low- and moderate-income categories. This is mainly a result of the bank retaining the smaller home improvement loans on its books while selling the majority of the real estate purchase loans in the secondary market.

The average HMDA loan reported by the bank was \$30 thousand dollars in comparison to the average

loan sold in the secondary market of \$107 thousand.

The bank has a reasonable distribution of lending to different sizes of businesses in relation to the demographics of the AA. We sampled 20 commercial loans totaling \$672 thousand that were originated between January 1996 and December 1998.

The results of our review, illustrated in the table below, show that the bank extended 50% by number and 52% by dollar of its commercial loans to borrowers with annual revenues less than \$500 thousand. This compares to 64% of businesses in the assessment area having annual revenues of less than \$500 thousand, per updated 1998 Dun and Bradstreet Information (D&B).

Lending Distribution Based on Gross Revenues Commercial Loan Originations			
Revenue Size of Businesses Sampled \$(000's)	Bank Lending Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (D&B Information)	Bank Lending Distribution by Dollar of Loans
< \$100	15%	64%	4%
\$100 - \$250	25%		38%
\$250 - \$500	10%		10%
\$500 - \$1,000	40%	7%	39%
> \$1,000	10%	10%	9%
Revenue not reported	0%	19%	0%
Totals	100%	100%	100%

Loan-to-Deposit Analysis

The bank's average quarterly loan-to-deposit ratio from January 1996 to March 1999 is 73% percent. This ratio is satisfactory given the bank's size, financial condition and lending opportunities within its AA. Anchor Bank of West St. Paul has the fourth highest average loan-to-deposit ratio of eight similarly situated banks in their assessment area. Eight banks of similar size and product offerings, operating in the bank's assessment area had average loan-to-deposit ratios ranging from 49% to 83% over the same time period. The average loan-to-deposit ratio of these eight banks was 70%.

Lending Inside the Assessment Area

Anchor Bank of West St. Paul originates a majority of its loans inside its assessment area. We sampled 30 commercial loans totaling \$1.3 million that were originated between January 1996 and December 1998. We also reviewed all 139 originated real estate loans that the bank reported for the Home Mortgage Disclosure Act (HMDA) for 1996, 1997 and 1998. The review consisted of 65 loans in 1998 totaling \$2 million, 39 loans in 1997 totaling \$1.5 million and 35 loans in 1996 totaling \$1.4 million.

The following table illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Area		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial Loans	67%	50%
Real Estate Loans	63%	53%

Our findings were consistent with an internal analysis prepared by bank management on a monthly basis.

Geographic Distribution of Loans:

The bank has no low-income CTs included in its assessment area. Seven of the bank's forty-six CTs (15%) included in the bank's AA are designated as moderate-income areas. We found the bank to have reasonable penetration in these tracts.

Geographic Distribution of Lending Inside the Bank's Assessment Area		
	% of Total Number of Loans Inside Moderate Income Tracts	% of Total Dollar Amount of Loans Inside Moderate Income Tracts
Commercial Loans	30%	27%
Real Estate Loans	15%	13%

Response to CRA Related Complaints

The bank has not received any CRA related complaints since the previous evaluation.

Compliance with Antidiscrimination Laws

Anchor Bank of West St. Paul is in compliance with applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review.

We performed a fair lending review of all approved auto loans that originated between January 1, 1999 and March 31, 1999. Our review focused rates received by single female applicants versus those received by single male applicants. Our review did not identify any loan terms that were less favorable for female applicants than male applicants.