



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 15, 2012**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

American Investors Bank and Mortgage  
Charter Number 717958

6385 Old Shady Oak Road, Suite 110  
Eden Prairie, MN 55344

Office of the Comptroller of the Currency

Minneapolis Field Office  
222 South Ninth Street, Suite 800  
Minneapolis, Minnesota 55402

**NOTE:** This document is an evaluation of this 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. 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.

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

The major factors supporting the bank's rating include:

- The bank's net loan-to-deposit (LTD) ratio is more than reasonable given the bank's size and the credit needs of the assessment area.
- A majority of loan originations were made inside the bank's assessment area.
- The distribution of home loans reflects a reasonable penetration among borrowers of different income levels.
- The distribution of loans reflects reasonable dispersion throughout the bank's assessment area.

**SCOPE OF EXAMINATION**

We evaluated American Investors Bank & Mortgage's (AIBM) record of meeting the credit needs of the community, consistent with the provisions set forth in the Community Reinvestment Act (CRA). The bank's CRA performance was assessed under the lending test and focused on the bank's primary loan products based on outstanding loan balances from January 1, 2009 to December 31, 2011. On average, residential mortgages comprised 97 percent of the loan portfolio. We selected a random sample of 60 home loans originated between January 1, 2009 and December 31, 2011 to determine the bank's lending activity within the assessment area.

We used Thrift Financial Report information to determine the bank's quarterly loan-to-deposit ratio, and annual deposit information reported to the Federal Deposit Insurance Corporation (FDIC) to find similarly situated banks. The most recent deposit information is as of June 30, 2011.

**DESCRIPTION OF INSTITUTION**

AIBM is an \$85 million bank located in the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). AIBM is wholly owned by Bank Financial Services, a one-bank holding company. As of December 31, 2011, the bank had net loans of \$39 million, representing 46 percent of total assets and 68 percent of total deposits. On the same date, Tier 1 Capital totaled \$6.5 million or 7.73 percent of average assets. The loan portfolio is comprised of residential real estate mortgages (97 percent), commercial loans (2 percent), and consumer loans (1 percent).

AIBM is a full service bank offering a wide range of products and services for individuals. Residential mortgage lending is the bank's primary business focus. AIBM operates one branch in Hennepin County. No branches have opened or closed since the last CRA examination.

There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs in its assessment area. AIBM received a Satisfactory rating on its last CRA evaluation dated August 15, 2006.

## DESCRIPTION OF ASSESSMENT AREA

AIBM has one assessment area located in the Minneapolis MSA. The assessment area consists of 571 contiguous census tracts located in the counties of Hennepin, Ramsey, Washington, and Dakota. The assessment area consists of the census tracts where the bank's branch is located and the surrounding census tracts in which the bank can reasonably service. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income census tracts. The following table shows information for the Minneapolis MSA assessment area:

| Demographic Information for the Assessment Area     |           |          |                                    |          |           |
|-----------------------------------------------------|-----------|----------|------------------------------------|----------|-----------|
|                                                     | #         | % Low    | % Moderate                         | % Middle | % Upper   |
| Geographies (Census Tracts) *0.70% tracts are NA    | 571       | 8.23     | 23.12                              | 41.50    | 26.44     |
| Population by Geography *0.10% located in NA tracts | 2,184,269 | 6.20     | 20.86                              | 43.66    | 29.18     |
| Owner-Occupied Housing by Geography                 | 593,423   | 2.08     | 16.24                              | 48.11    | 33.56     |
| Businesses by Geography *0.17% located in NA tracts | 243,054   | 4.46     | 16.86                              | 45.39    | 33.11     |
| Farms by Geography *0.02% located in NA tracts      | 4,090     | 1.22     | 10.12                              | 51.12    | 37.51     |
| Family Distribution by Income Level                 | 539,831   | 17.81    | 18.46                              | 24.92    | 38.81     |
| Household Distribution by Income Level              | 860,505   | 21.98    | 18.12                              | 20.50    | 39.40     |
| Median Family Income                                |           | \$68,454 | Median Housing Value               |          | \$146,988 |
| Census MSA Median Family Income                     |           | \$64,885 | Households below the Poverty Level |          | 6.90%     |
| HUD Updated Median Family Income for 2011           |           | \$82,700 | Unemployment Rate                  |          | 2.66%     |

Source: 2000 US Census Data

Unemployment numbers for the counties within the AA as of December 31, 2011 were as follows: 5.2 percent for Hennepin, Washington and Dakota Counties and 5.5 percent for Ramsey County. Unemployment is lower in these counties compared to the Minnesota average of 5.7 percent and national average of 8.3 percent. Source: US Bureau of Labor Statistics.

Economic activity in the assessment area is centered in the services industry. Based on the 2011 Business Geodemographic Data, services comprised 43 percent of activity,

followed by retail trade at 9 percent.

Competition from other financial institutions is high. AIBM ranks 72<sup>nd</sup> in deposit market share among 116 financial institutions. AIBM has a deposit market share of 0.05 percent or \$50 million.

During our examination, we contacted a local organization to better understand the credit needs of the community. Affordable housing for low- and moderate-income individuals is needed in the assessment area. According to the contact, financial institutions are meeting the credit needs of the community.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the Lending Test is Satisfactory:

### Loan-to-Deposit Ratio

AIBM's net loan-to-deposit (LTD) ratio is more than reasonable given the bank's size and the credit needs of the assessment area. The bank's LTD ratio averaged 93.89 percent over the 23 quarters since the last CRA examination. This ratio ranged from a quarterly low of 63.98 percent (4Q06) to a quarterly high of 127.63 percent (3Q08). The following table shows LTD details and rankings:

| Institution                    | Assets (000s)<br>(As of 12/31/11) | Average Loan-to-Deposit<br>Ratio (2Q06 – 4Q11) |
|--------------------------------|-----------------------------------|------------------------------------------------|
| Stonebridge Bank               | 109,548                           | 100.93                                         |
| <b>American Investors Bank</b> | <b>84,679</b>                     | <b>93.89</b>                                   |
| Bank of Maple Plain            | 68,604                            | 70.41                                          |
| Farmers State Bank of Hamel    | 90,385                            | 50.06                                          |
| Union Bank & Trust Company     | 86,386                            | 33.95                                          |

Source: Thrift Financial Report Data

### Lending in Assessment Area

AIBM originates a majority of its loans to borrowers inside its assessment area. Loans originated to individuals within the bank's assessment area totaled 73 percent by number and 77 percent by dollar volume. The following table shows lending inside and outside of the assessment area:

| Lending in Assessment Area |                 |       |         |       |       |                  |       |         |       |        |
|----------------------------|-----------------|-------|---------|-------|-------|------------------|-------|---------|-------|--------|
| Loan Type                  | Number of Loans |       |         |       |       | Dollars of Loans |       |         |       |        |
|                            | Inside          |       | Outside |       | Total | Inside           |       | Outside |       | Total  |
|                            | #               | %     | #       | %     |       | \$               | %     | \$      | %     |        |
| Home Loans                 | 44              | 73.33 | 16      | 26.67 | 60    | 9,165            | 76.54 | 2,809   | 23.46 | 11,974 |
| Totals                     | 44              | 73.33 | 16      | 26.67 | 60    | 9,165            | 76.54 | 2,809   | 23.46 | 11,974 |

Source: OCC Loan Sample

### Lending to Borrowers of Different Incomes

The distribution of home loans reflects reasonable penetration among borrowers of different income levels. Lending to low- and moderate-income borrowers is near the demographic comparatives. The following table shows the distribution of home loans among borrowers of different income levels:

| Borrower Distribution of Residential Real Estate Loans |                  |                      |                  |                      |                  |                      |                  |                      |
|--------------------------------------------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level                                  | Low              |                      | Moderate         |                      | Middle           |                      | Upper            |                      |
| Loan Type                                              | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Home Loans                                             | 17.81            | 13.95                | 18.46            | 16.28                | 24.92            | 30.23                | 38.81            | 39.54                |

Source: OCC Loan Sample & 2000 U.S. Census Data

The distribution of home loans reflects reasonable penetration compared to other HMDA lenders. AIBM’s lending to low- and moderate-income borrowers is near that of other area lenders. The following table shows the distribution of home loans compared to other HMDA lenders:

| Borrower Distribution of Residential Real Estate Loans Compared to Aggregate HMDA Reporting Banks |                   |                      |                   |                      |                   |                      |                   |                      |
|---------------------------------------------------------------------------------------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
| Borrower Income Level                                                                             | Low               |                      | Moderate          |                      | Middle            |                      | Upper             |                      |
| Loan Type                                                                                         | % of HMDA Lenders | % of Number of Loans | % of HMDA Lenders | % of Number of Loans | % of HMDA Lenders | % of Number of Loans | % of HMDA Lenders | % of Number of Loans |
| Home Loans                                                                                        | 9.93              | 13.95                | 19.61             | 16.28                | 21.27             | 30.23                | 34.41             | 39.54                |

Source: OCC Loan Sample & 2000 U.S. Census Data (Income data not reported =14.79%)

### Geographic Distribution of Loans

The geographic distribution of home loans reflects a reasonable dispersion throughout census tracts of different income levels. AIBM’s distribution of home loans in moderate-income census tracts is near the demographics. While the bank did not originate any home loans in low-income census tracts, the low volume of owner-occupied housing units in the low-income census tracts makes it challenging for a bank to meet these

demographics. The following table shows the distribution of home loans among census tracts of different income levels:

| <b>Geographic Distribution of Residential Real Estate Loans</b> |                                |                      |                                |                      |                                |                      |                                |                      |
|-----------------------------------------------------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| Census Tract Income Level                                       | Low                            |                      | Moderate                       |                      | Middle                         |                      | Upper                          |                      |
| Loan type                                                       | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans | % of AA Owner Occupied Housing | % of Number of Loans |
| Home Loans                                                      | 2.08                           | 0.00                 | 16.24                          | 11.36                | 48.11                          | 36.36                | 33.57                          | 52.28                |

Source: OCC Loan Sample & 2000 U.S. Census Data

The geographic distribution of home loans reflects reasonable dispersion compared to other HMDA lenders. AIBM’s lending in moderate-income census tracts is near that of other area lenders. While lending in low-income census tracts is zero, the opportunity to lend in those tracts is limited based on other area lending of 1.73 percent. The following table shows the geographic distribution of home loans compared to other HMDA lenders:

| <b>Geographic Distribution of Residential Real Estate Loans Compared to Aggregate HMDA Reporting Banks</b> |                   |                      |                   |                      |                   |                      |                   |                      |
|------------------------------------------------------------------------------------------------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|
| Census Tract Income Level                                                                                  | Low               |                      | Moderate          |                      | Middle            |                      | Upper             |                      |
| Loan type                                                                                                  | % of HMDA Lenders | % of Number of Loans | % of HMDA Lenders | % of Number of Loans | % of HMDA Lenders | % of Number of Loans | % of HMDA Lenders | % of Number of Loans |
| Home Loans                                                                                                 | 1.73              | 0.00                 | 11.91             | 11.36                | 44.02             | 36.36                | 42.34             | 52.28                |

Source: OCC Loan Sample & 2000 U.S. Census Data

## Responses to Complaints

The bank has not received any CRA complaints during this evaluation period.

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.