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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

February 17, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Gilbert  
Charter Number 9262**

**2 North Broadway  
Gilbert, Minnesota 55741**

**Comptroller of the Currency  
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 **The First National Bank of Gilbert**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 17, 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.*

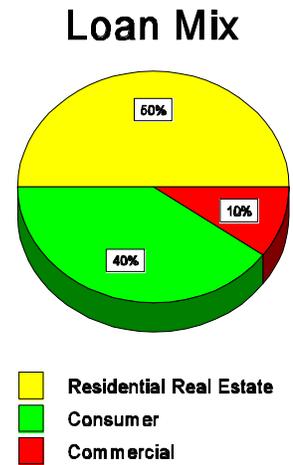
**INSTITUTION'S CRA RATING:** This institution is rated “**Satisfactory**”.

The bank's distribution of loans to borrowers of different incomes and businesses of different sizes is good. Specifically, the bank exceeds the demographics for lending to individuals with low- and moderate-incomes. The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area given the bank's location and market focus. FNB's quarterly loan-to-deposit ratio is reasonable and comparable to its local peers. The substantial majority of the bank's loan originations are to borrowers within its assessment area.

## DESCRIPTION OF INSTITUTION

The First National Bank of Gilbert (FNB) is independently-owned and is located in Gilbert, Minnesota (population of approximately 2,000). The city of Gilbert is located in Northeastern Minnesota and is part of the region commonly known as the “Iron Range”. FNB is a \$20 million bank with no branches. The bank is affiliated with The Miners National Bank of Eveleth in Eveleth, Minnesota through common ownership. There are no legal or financial constraints on the bank that inhibit its CRA performance. FNB was previously rated “satisfactory” during its CRA examination dated February 9, 1995.

FNB’s primary market niche is residential real estate loans and various consumer loans. The chart to the right reveals the distribution of the bank’s \$12 million loan portfolio as of December 31, 1997. The bank has experienced moderate loan growth of \$5.7 million or (86% over 3 years) from year-end 1994 to year-end 1997.



## DESCRIPTION OF THE ASSESSMENT AREA

FNB’s assessment area (AA) includes twenty-six census tracts located in the central portion of St. Louis County. St. Louis County is included in the Duluth/Superior Metropolitan Statistical Area (MSA) #2240. The updated 1997 Median Family Income for this MSA is \$40,600. In the assessment area, one census tract is designated as low-income (City of Franklin) with only seven families (or a trace % of the AA population) residing in this tract. Four census tracts, which include the cities of Babbitt, Buhl, Kinney, and sections of Virginia and Hibbing, are designated as moderate-income with 10% of the AA population residing in these tracts. The remaining twenty-one tracts are middle-income. The assessment area does not arbitrarily exclude low- or moderate-income census tracts.

The population of the assessment area is approximately 71,000. A high percentage of this population (14% of the households) has an income below the poverty level. The major industry on the Iron Range is taconite mining. Examiners spoke with a local real estate broker/appraiser and two local city officials during the examination. According to discussions with these community members and examiners’ knowledge of the area, the local economy is stable. The taconite industry has been stable in recent years after its recovery from the slump in the early 1980’s. The opening of the Northwest airlines reservation center has provided a boost to the local economy.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### *Lending to Borrowers of Different Income Levels and Businesses of Different Sizes*

The bank's distribution of loans to borrowers of different incomes and businesses of different sizes is good. Specifically, the bank exceeds the demographics for lending to families with low- and moderate-incomes.

We analyzed all residential real estate and consumer loans (106 loans) originated between November 1, 1997 and January 31, 1998 (excluding loans to borrowers outside of the bank's AA) to determine the distribution of the bank's loans to borrowers of different income levels. The table below compares the distribution among the various income levels to the demographics of the AA.

<b>Lending to Borrowers of Different Income Levels</b>			
<b>Income Level</b>	<b>% of Loans by \$</b>	<b>% of Loans by #</b>	<b>Demographics of AA</b>
<b>Low-Income</b>	16%	34%	20%
<b>Moderate-Income</b>	24%	25%	19%
<b>Middle-Income</b>	32%	28%	39%
<b>Upper-Income</b>	28%	13%	37%

Considering the small volume of commercial lending at FNB, the bank is making loans to businesses of various sizes. In particular, 50% of its loans by number are to very small businesses. The following table indicates the volume of business-related loans (26 loans) originated by the bank within the AA during 1997. The bank's commercial lending is reasonable relative to the demographics of the AA. In the \$500 thousand to \$1 million dollar revenue category, seven of the eleven loans were to one business.

<b>Business Revenue Levels</b>			
<b>(000's)</b>	<b>% of Loans by \$</b>	<b>% of Loans by #</b>	<b>1996 Demographics</b>
<b>\$0 to \$250</b>	38%	50%	70%*
<b>\$250+ to \$500</b>	0%	0%	
<b>\$500+ to \$1,000</b>	54%	42%	6%
<b>\$1,000+</b>	8%	8%	7%

\* The demographics noted above are compiled by Dun and Bradstreet for businesses electing to report revenue data. They do not breakout business size for revenue levels under \$500,000. And 16% of the businesses in the assessment area elected not to provide revenue data.

### ***Geographic Distribution of Loans***

The geographic distribution of loans reflects a reasonable dispersion of originations in the bank's assessment area. The table below shows the geographic distribution of a sample of originations compared to the population demographics of the assessment area. The loan sample included all residential real estate, consumer, and small business loans (112 loans) originated between November 1, 1997 and January 31, 1998 to borrowers within the bank's AA.

<b>The First National Bank of Gilbert's Geographic Distribution of Loans To Borrowers Within its Assessment Area</b>			
	<b>% of Loans by \$</b>	<b>% of Loans by #</b>	<b>% of Families</b>
<b>Low-Income Tracts</b>	0%	0%	0%
<b>Moderate-Income Tracts</b>	0%	1%	10%
<b>Middle-Income Tracts</b>	100%	99%	90%
<b>Upper-Income Tracts</b>	0%	0%	0%

The bank's very low penetration of lending to borrowers residing within moderate-income census tracts is not a concern. The bank's dispersion of loans is reasonable given the its primary market focus and location. FNB's lending is focused within the cities of Gilbert and Eveleth and the immediately surrounding rural area. This specific area includes only middle-income census tracts. Within this specific area, the bank originated 84% of the loans contained in the sample. Originations outside of this area, although still within the bank's AA, occurred sporadically without any geographic concentration.

### ***Loan-to-Deposit Ratio***

FNB's quarterly loan-to-deposit ratio is reasonable and comparable to its local peers. Since the last CRA evaluation, the bank's average quarterly loan-to-deposit ratio has been 60% versus its local peer group's ratio of 64%. The peer group consisted of six banks in St. Louis County with less than \$30 million in total assets. Since the last CRA evaluation, the bank's loan portfolio has grown. As a result of this growth, the bank's loan-to-deposit ratio increased from 52% as of March 31, 1995 to 66% as of December 31, 1997.

### ***Lending Inside the Assessment Area***

The substantial majority of the bank's residential real estate, consumer, and commercial loan originations are to borrowers within its assessment area. Based on a sample of all loans originated between November 1, 1997 and January 31, 1998, the bank originated 90% by number and 86% by dollar of its loans within its AA.

### ***Response to CRA Related Complaints***

FNB has not received any CRA related complaints since the last CRA evaluation.

### ***Compliance with Antidiscrimination Laws***

No violations of the substantive provisions of antidiscrimination laws and regulations were identified.