



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

September 10, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Crookston National Bank
Charter No. 14531**

**PO Box 619
Crookston, MN 56716**

**Office of the Comptroller of the Currency
Fargo Field Office
3211 Fiechtner Drive SW
Fargo, ND**

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 **Crookston National Bank** prepared by the **Office of The Comptroller of the Currency**, the institution's supervisory agency, as of September 10, 1997. 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**.

Crookston National Bank is meeting the credit needs of its assessment area. The bank's loan to deposit ratio is reasonable, with the majority of loans being made within its assessment area. Lending efforts penetrate all segments of the assessment area and are dispersed to borrowers of all income levels. The bank actively lends to businesses and farms of smaller size.

The following table indicates the performance level of **Crookston National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>CROOKSTON NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Analysis not meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Crookston National Bank, a \$27 million financial institution, is one of eight banks located in Polk County, Minnesota. The bank is headquartered in Crookston, Minnesota, and consists of the main bank and one ATM. Crookston National Bank does not have any branches. Crookston Financial Services, Inc., a one bank holding company, owns 89% of the bank's common stock.

Crookston National Bank offers a wide variety of loan products with an emphasis on agricultural and commercial loans. As of March 31, 1997, agricultural loans accounted for 38% of the bank's \$15 million loan portfolio. Agricultural and commercial real estate loans totaled another 27%. Commercial loans represented 13% of the loan portfolio, with residential real estate and consumer loans totaling 11% each.

The bank's financial condition, size, local economic condition, and other factors allow it to help meet the credit needs of its assessment area. The bank has neither opened nor closed any branches since the last CRA examination. At the last CRA examination dated January 25, 1995, Crookston National Bank received a satisfactory rating.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes a majority of the western and central portions of Polk County, Minnesota. The assessment area consists of census tracts 204, 205, 206, 207, and 208 in Polk County. All of the census tracts are designated as middle income areas. The assessment area complies with regulation and does not arbitrarily exclude any low- or moderate-income areas.

Crookston National Bank's assessment area is located in the Grand Forks Metropolitan Statistical Area of eastern North Dakota and western Minnesota. The assessment area has a total population of just over 16,000. Crookston, population 8,000, is approximately 25 miles southeast of Grand Forks, North Dakota. The local economy is dominated by agriculture and agricultural related businesses.

The updated 1997 weighted average Metropolitan Statistical Area median family income was \$38,800. The primary housing facilities are owner occupied 1-4 family units with a median value of \$46,000. The following table illustrates Crookston National Bank's population breakdown within its assessment area by family income:

Population	Low Income Families		Moderate Income Families		Middle Income Families		Upper Income Families		Total	
	#	%	#	%	#	%	#	%	#	%
	724	17%	823	20%	1,097	26%	1,561	37%	4,205	100%

Community contacts included an economic development organization and a grass-roots community group. Our discussions with both organizations indicated a need for affordable housing and first time homebuyer assistance programs and the need for local banks to participate in them.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Analysis

Crookston National Bank’s level of lending is reasonable compared to other banks in the assessment area. During the last nine quarters ending March 31, 1997, the bank’s average loan-to-deposit ratio is 58%. This compares to the average loan-to-deposit ratio of 64% for the seven other banks headquartered within the assessment area. Of these eight banks, Crookston National Bank has the sixth highest loan-to-deposit ratio.

Lending in Assessment Area

Crookston National Bank extends a majority of its loans within the assessment area. Bank and examiner compiled information shows that in 1996, the bank made 62% of all loan originations within its assessment area. During the first eight months of 1997, the bank extended 79% of the number and 63% of the dollar volume of loans within the assessment area.

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

The income distribution for small business loans and agricultural loans shows good penetration to businesses of different sizes. We sampled 43 agricultural and commercial loans to determine the gross income levels of farms and small business. Our sample showed that 84% of the bank’s commercial and agricultural loans had gross incomes of less than \$1,000,000.

Gross income for Agricultural and Commercial Businesses						
	< \$100,000	\$100,000 to \$250,000	\$250,000 to \$500,000	\$500,000 to \$1,000,000	> \$1,000,000	Total
# of loans	3	8	20	5	7	43
% of loans	7%	19%	46%	12%	16%	100%

Crookston National Bank's lending level for HMDA-reportable mortgage loans is reasonable. The bank's HMDA data shows 34% of its 1996 home mortgage loans were made to low- and moderate-income families. This compares to a low- and moderate-income population base of 37% of total families in the assessment area. During the first eight months of 1997, the bank extended 11% of its home mortgage loans to low- and moderate-income families.

Geographic Distribution of Loans

The five census tracts in the bank's assessment area are all considered middle income. Analysis of this assessment criteria would not be meaningful.

Response to Complaints

The bank received no CRA-related complaints since the previous CRA examination.

Compliance with antidiscrimination laws and regulations

Our review did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations.