



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**May 20, 2002**

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

**Community National Bank  
Charter Number 16604**

**733 N. Main Street  
Oregon, WI 53575**

**Comptroller of the Currency  
Iron Mountain Field Office  
P.O. Box 666  
Iron Mountain, MI 49801**

**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.**

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## **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 for Community National Bank, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 22, 2002. 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 bank has an adequate distribution of loans to individuals of different income levels, including low- and moderate-income levels.
- The bank has a reasonable distribution of lending to businesses of different sizes given the demographics of the assessment area.
- The bank has a reasonable average loan-to-deposit ratio.
- The bank originates an adequate number of loans inside its assessment area.

## **DESCRIPTION OF INSTITUTION:**

Community National Bank is a \$111 million bank with the main office located in Oregon, Wisconsin, a middle-income census tract. The bank operates one full-service branch, also located in Oregon. The bank maintains two 24-hour ATMs, one at the main office and one at the branch. No branches have been opened or closed since our last CRA examination dated October 23, 1997. The bank is 84% owned by Oregon Bancorp, Inc., a \$110 million one-bank holding company located in Oregon, Wisconsin. The bank is also a member of a nine-bank chain bank group, consisting of eight banks located in Wisconsin and one in Minnesota.

The bank offers traditional community bank services with a loan portfolio representing 65% of total assets as of March 31, 2002. Community National Bank is primarily a small business and residential real estate lender. The bank's loan portfolio consists of 65% commercial loans, 30% residential real estate mortgages and 5% consumer loans.

There are no legal or financial impediments limiting the bank's ability to meet community credit needs.

The previous CRA examination dated October 23, 1997 resulted in a satisfactory CRA rating.

## **DESCRIPTION OF THE ASSESSMENT AREA:**

The bank's assessment area is comprised of five census tracts that surround the village of Oregon, which is located approximately 10 miles south of Madison. All census tracts are located within the Madison Metropolitan Statistical Area (MSA), which includes all of Dane County. Four (80%) of the census tracts in the assessment area are middle-income geographies with one (20%) being an upper-income tract. Both the bank's main office and branch are located in a middle-income census tract. The census tract income level is calculated using the 1990 Census median family income for the Madison MSA, which is \$41,529. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The population of the assessment area is 27,510, based on 1990 census data. The updated Housing and Urban Development (HUD) 2001 median family income for the Madison MSA is \$67,100. A breakdown of family income levels in the assessment area shows 10% as low-income (733 families), 17% moderate-income (1,286 families), 31% middle-income (2,383 families) and 42% upper-income (3,256 families). The median housing value within the assessment area is \$86,257 based on 1990 census data, with 77% of the housing units being owner-occupied.

The local economy is characterized as stable with projected growth in the next several years. This is due to the planned development of an industrial park and several new residential subdivisions in the Oregon area. WISCO and the Oregon School District make up the major employers in the area, with a large number of residents commuting to jobs in the city of Madison. Unemployment in the local area and Dane County is low, at 2.5%, and well below the state average of 5.5. This is the lowest average unemployment rate for an MSA in the state of Wisconsin.

Competition among financial institutions located in Oregon is characterized as moderate, with a branch of a large Wisconsin state bank and a branch of a multi-state bank. A majority of the competition experienced by Community National Bank comes from financial institutions in the Madison area. When comparing Community National Bank's home mortgage lending to its peer group of other lending institutions in Dane County, the bank ranks fifth with an overall market share of 5%. Within the home mortgage lending category, the bank ranks first in home improvement lending with a 23% market share, seventh in refinance lending with a 4% market share, and fifteenth in home purchase lending with a 2% market share. These figures were obtained from 2000 Home Mortgage Disclosure Act (HMDA) peer mortgage data. Based on the latest deposit market share information from June 30, 2001 compiled by the FDIC, Community National Bank ranks eighteenth in total deposits with a 1% market share. This is compared to all FDIC insured institutions with at least one branch located in Dane County.

In conducting this assessment of the bank's performance, we contacted the Village Administrator of Oregon. The Village Administrator believes that the credit needs of the community are being met by the local financial institutions. With the competition among lenders in Oregon and the surrounding area, he considers access to credit by borrowers in all income levels to be satisfactory.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA:**

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

The bank's loan-to-deposit ratio is reasonable. Community National Bank's average quarterly loan-to-deposit ratio since the last examination is 81%, which ranks twelfth in their peer group of 18 banks. The peer group consists of banks with assets less than \$250 million that are chartered in Dane County. The average quarterly loan-to-deposit ratio for the other banks in their peer group is 84%. Community National Bank has the seventh largest level of average assets of these banks at \$110 million. The other bank's average assets ranged from \$55 million to \$249 million. The average loan-to-deposit ratios for these similarly situated banks range from 42% to 102% over the same time period. Community National Bank also sells residential real estate loans on the secondary market. Following is the total dollar amount of loans that Community National Bank has sold on the secondary market from 1997 through 2001, respectively: \$569,000, \$6,500,000, \$3,445,000, \$228,000, and \$22,654,000. The sale of these loans reduces the bank's loan-to-deposit ratio.

### **Lending in Assessment Area**

The bank's lending in its assessment area is satisfactory. Community National Bank originates an adequate number of its loans inside its assessment area. This conclusion is based on an analysis of the 1997 through 2001 HMDA register (HMDA-LAR) and a sample of 40 commercial loans originated between 1997 and 2001. Findings are based on the number of loans and originating loan amounts. The following table illustrates the level of lending inside the bank's assessment area:

<b>Penetration of Lending Inside the Bank's Assessment Area January 1997 - December 2001 Loan Originations</b>		
	<b>% of Total Number of Loans Inside the Assessment Area</b>	<b>% of Total Dollar Amount of Loans Inside the Assessment Area</b>
Commercial Loans	70%	60%
Residential Real Estate Mortgages	77%	74%
Total	76%	73%

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

The bank has a satisfactory record of lending to borrowers of different income levels and to businesses of different sizes. The bank's primary loan products, namely home improvement mortgage loans, refinancing mortgage loans and commercial loans, were used in our sample and are depicted in the following tables. A sample of 20 commercial customers located in the bank's assessment area indicates the following breakdown of annual revenues:

<b>Lending Distribution Based on Revenue Size of Businesses January 1997 – December 2001</b>			
<b>Revenue Size of Businesses Sampled (000's)</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Percent</b>	<b>Percentage of Businesses in Each Revenue Category (census information)</b>
< \$100	1	5%	82%
\$100 - \$500	8	40%	
\$500 - \$1,000	2	10%	7%
> \$1,000	1	5%	11%
Revenue not Reported	8	40%	-
Totals:	20	100%	100%

The table above shows 95% of the businesses sampled have revenues less than \$1 million. Loans for borrowers with unreported revenues includes loans where no income information was evident in the loan file. They are included in the 95% referred to above because after review of the file information and type of business, it can be reasonably inferred that gross revenues would have been under \$1 million for those businesses.

The following tables are based on an analysis of the 1997 through 2001 HMDA-LAR for home improvement and refinanced mortgage loans for borrowers located in the bank's assessment area.

<b>Lending Distribution Based on Income Level of Home Improvement Borrowers January 1997 - December 2001 Loan Originations</b>			
<b>Borrower Income Level</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Bank Lending Distribution by Dollar Value of Loans</b>	<b>Percentage of Families in each Income Category (census information)</b>
Low	9%	8%	9%
Moderate	25%	22%	17%
Middle	41%	42%	31%
Upper	25%	28%	43%
Income not Available	0%	0%	-
Totals	100%	100%	100%

<b>Lending Distribution Based on Income Level of Refinanced Residential Real Estate Borrowers January 1997 - December 2001 Loan Originations</b>			
<b>Borrower Income Level</b>	<b>Bank Lending Distribution by Number of Loans</b>	<b>Bank Lending Distribution by Dollar Value of Loans</b>	<b>Percentage of Families in each Income Category (census information)</b>
Low	4%	2%	9%
Moderate	18%	14%	17%
Middle	39%	37%	31%
Upper	38%	46%	43%
Income not Available	1%	1%	-
Totals	100%	100%	100%

As indicated by the above tables, 34% of the number and 30% of the dollar value of home improvement loans, and 22% of the number and 16% of the dollar value of refinanced residential mortgage loans, were made to low- and moderate-income borrowers. This compares to the 26% low- and moderate-income families in the assessment area and represents a reasonable distribution of lending to borrowers of different income levels.

### **Geographic Distribution of Loans**

A distribution of credit by geographic income levels is not a meaningful analysis given the homogeneous nature of Community National Bank's assessment area.

### **Responses to Complaints**

Neither the bank nor our agency has received any CRA-related complaints since the previous evaluation.

### **Fair Lending Review**

An analysis of the 1997 through 2001 public comments, consumer complaint information and HMDA data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.