

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 the 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 CRA performance of Commercial Trust & Savings Bank, Mitchell, South Dakota, prepared by the Federal Reserve Bank of Minneapolis, the institution’s supervisory agency, as of March 10, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The CRA evaluation revealed several factors that support rating the bank’s CRA performance as high satisfactory. First, the bank’s net loan-to-deposit ratio is high and compares favorably with other financial institutions located within the bank’s assessment area. Second, it has originated a majority of its loans to assessment area residents, businesses, and farms. Third, it extends consumer loans to individuals with low to moderate incomes and to small businesses and farms. Finally, it originates loans to borrowers residing in geographies of different income levels in its assessment area.

The following table indicates the performance level of Commercial Trust & Savings Bank, Mitchell, South Dakota, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	COMMERCIAL TRUST & SAVINGS BANK MITCHELL SOUTH DAKOTA 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 Income Levels and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	The bank has not received any CRA complaints since the last evaluation.		

DESCRIPTION OF INSTITUTION

The bank is able to fulfill area credit needs effectively. The previous CRA evaluation revealed that the bank's performance in meeting community credit needs was outstanding. The bank operates five full-service offices in Mitchell (2), Huron (2), and Woonsocket, South Dakota. The bank also operates three automated teller machines ("ATMs") and one detached drive-up facility. The ATMs are located in Mitchell (2) and Huron, while the detached drive-up facility is located in Mitchell. Its offices and ATMs are located throughout the bank's assessment area. Four of the bank's offices and two of its ATMs are located in middle-income block numbering areas ("BNAs"): 9628, 9569, 9571, and 9622. An office and ATM are also located in upper-income BNA 9627.

The bank's size does not restrict its ability to meet the credit needs of residents, businesses, and farms located within its assessment area. According to the December 31, 1996, Report of Condition ("ROC"), the bank had total assets of approximately \$166 million. The bank's loan portfolio has fluctuated, but increased by 7% since the last evaluation. The bank's quarterly loan and deposit growth rates are set forth in the following table:

QUARTERLY GROWTH RATES		
Period	Loans	Deposits
July 1 to September 30, 1995	.38%	1.30%
October 1 to December 31, 1995	1.54%	.75%
January 1 to March 31, 1996	(.69%)	(.91%)
April 1 to June 30, 1996	4.43%	.38%
July 1 to September 30, 1996	2.22%	4.36%
October 1 to December 31, 1996	(1.31%)	3.59%

The December 31, 1996, ROC indicates that the bank is primarily a commercial lender; approximately 32% of its portfolio is commercial and commercial real estate loans. The balance of the bank's loan portfolio is composed of 29% consumer, 25% agricultural, 13% consumer real estate, and 1% other loans. The composition of the bank's loan portfolio reflects the level of demand for specific types of credit by residents, businesses, and farms in the assessment area.

The bank offers a variety of loan products to fulfill the credit needs of residents, businesses, and farms within its assessment area. It extends conventional consumer, residential real estate, mobile home, commercial, and agricultural loans. During the December holiday season, it extends small, unsecured consumer loans, which bear a below-market interest rate.

In addition to conventional loan products, the bank participates in numerous government loan programs. For residential real estate loan borrowers, it offers Federal Housing Administration ("FHA"), FHA Title I, Department of Veterans Affairs, South Dakota Housing Administration ("SDHA") home ownership, SDHA mortgage assistance, SDHA Cooperative Home Improvement Program, SDHA Home Sweet Home, Rural Development, and Rural Housing Services loans. Commercial borrowers have access to Small Business Administration and Northeast South Dakota Energy Conservation Corporation ("NESDECC") loans, and agricultural borrowers have access to Farm Service Agency (formerly known as Farmers Home Administration) and South Dakota Livestock Participation Program loans through the bank. The bank also offers Beadle and Spink Enterprise Community ("BASEC") and Facade Improvement Program loans.

Finally, the bank extends government-guaranteed student loans through the Educational Assistance Corporation, Aberdeen, South Dakota.

DESCRIPTION OF COMMERCIAL TRUST & SAVINGS BANK'S ASSESSMENT AREA

The bank has defined its assessment area as sections of nine counties: Aurora, Beadle, Davison, Douglas, Hanson, Hutchinson, Jerauld, Miner, and Sanborn. The assessment area includes 23 BNAs. It stretches approximately 100 miles from the northern to the southern boundary. From east to west, the assessment area is approximately 80 miles. The assessment area encompasses two large South Dakota cities, numerous small towns, and sparsely populated rural areas. It is primarily an agricultural area.

CRA divides income levels into four categories: low, moderate, middle, and upper. Because the bank's assessment area is not located in a metropolitan statistical area, the categorization of a borrower or area's income is determined relative to the statewide nonmetropolitan median family income. Pursuant to the CRA's definitions, low-income individuals have incomes of less than 50% of the statewide nonmetropolitan median family income, while moderate-income individuals have incomes of at least 50% but less than 80% of this amount. The regulation defines middle-income individuals as persons with an income of at least 80% but less than 120% of the statewide nonmetropolitan median family income. Individuals with incomes of 120% or more than the statewide nonmetropolitan median family income are classified as upper-income persons. According to the 1996 updated data, the statewide nonmetropolitan median family income in South Dakota is \$32,800; this figure is used to classify income levels of borrowers. BNAs are classified using similar categories based on the level of the median family income in the geography compared with the 1990 statewide nonmetropolitan median family income of \$25,547.

According to the 1990 U.S. Census data, the assessment area's median family income is \$25,488, slightly lower than the statewide nonmetropolitan median family income, and its median household income is \$20,354. There are approximately 16,831 families and 24,447 households within the assessment area. Approximately 12% of the families and 17% of the households have incomes below the poverty level. The percentages of such families and households in the assessment area are slightly lower than the nonmetropolitan statewide percentages of 14% and 18%, respectively. The distribution of family and household income for the assessment area is summarized in the following table.

ASSESSMENT AREA POPULATION DISTRIBUTION BY INCOME LEVEL				
Unit of Measure	Low Income	Moderate Income	Middle Income	Upper Income
Families Compared to Median Family Income	18%	19%	26%	37%
Households Compared to Median Household Income	24%	17%	19%	40%

As previously discussed, the bank's assessment area includes 23 BNAs in 9 counties. The following table describes the assessment area's population and income distribution by BNA.

INCOME DESIGNATION AND POPULATION DISTRIBUTION BY BNA		
County and BNAs	Income Designation	Percentage of Assessment Area Population
Aurora County 9736	Moderate	3%
9737	Middle	2%
Beadle County 9566	Middle	3%
9567	Middle	4%
9568	Middle	3%
9569	Middle	5%
9570	Upper	9%
9571	Middle	5%
Davison County 9626	Middle	4%
9627	Upper	7%
9628	Middle	10%
9629	Middle	7%
Douglas County 9696	Middle	6%
Hanson County 9641	Middle	5%
Hutchinson County 9686	Middle	6%
9687	Middle	4%
9688	Middle	4%
Jerauld County 9741	Middle	2%
9742	Middle	2%
Miner County 9616	Middle	4%
9617	Middle	2%
Sanborn County 9621	Middle	2%
9622	Middle	2%

As the table illustrates, the bank's assessment area does not have any low-income areas, but it does have one moderate-income area, BNA 9736 in Aurora County. Aurora County is approximately 10 miles east of Mitchell; however, the moderate-income BNA represents the northern half of Aurora County, which is approximately 30 miles from Mitchell.

Mitchell is the largest city within the assessment area and is home to the bank's main office. According to the 1990 U.S. Census data, Mitchell has a population of 13,798, which is lower than the 1980 population of 13,916. It is the regional trade center for 18 counties in central southeastern South Dakota; the trade area has a population of approximately 93,967 persons. Mitchell's diverse economy is stable. However,

the low unemployment rate may restrict the city's ability to attract new employers in the future. The major local industries are tourism, manufacturing, retail, and services.

With the world's only Corn Palace, Mitchell attracts approximately 650,000 persons during the summer tourist season. Other local attractions include the Prehistoric Indian Village, Oscar Howe Art Center, Enchanted World Doll Museum, Friends of the Middle Border Museum of American Indian and Pioneer Life, and Telstar Mustang-Shelby-Cobra Museum. During the fall, hunters visit the area to pursue their sport. As a result of the local summer and fall attractions, the tourism business has been increasing between 5% to 10% during the past few years; however, 1996 was a somewhat weak year with a growth rate at the lower end of this range. The increasing number of hotels in the city is the most visible evidence of the area's strong tourism industry. Despite its attractions, Mitchell does not have a strong convention industry because of the absence of a suitable facility.

Mitchell has approximately 2,000 manufacturing jobs; this figure represents a 100% increase since 1985. The primary employers in Mitchell's manufacturing sector are Trail King, Inc.; American Food Groups; Toshiba Information Center; and Universal Packaging, Inc. Recently, one large employer, a media materials manufacturer, left the Mitchell market; this business employed approximately 200 persons, most of whom were women. As a result, the city's economic development leaders are trying to find a new business to create employment opportunities for women. Although the city actively seeks to diversify the economic base, the area's low unemployment rate creates certain challenges in marketing the city as a place for businesses to relocate.

Mitchell's retail sector employs approximately 1,200 persons and is growing. According to community contacts, Mitchell is a regional trade center and offers all necessary services. It has a shopping mall, a regional medical facility, and a medical clinic. The local hospital is among the city's largest employers. The city also has an airport; however, during the past year, it lost commercial air service that was provided by a regional commuter carrier.

Mitchell is experiencing an affordable housing shortage, and housing prices continue to increase. It needs both single- and multifamily dwelling developments for low- and moderate-income people. According to an affordable housing report prepared for the city, Mitchell's median household and family incomes are \$20,146 and \$27,728, respectively. The report stated that the city has a shortage of more than 600 units for very low-income people, defined as those with incomes of less than 50% of the citywide median household income. The report also stated that the city lacks sufficient medium-priced housing, defined as owner-occupied units valued between \$60,000 and \$100,000. The lack of medium-priced housing affects low- and moderate-income people because middle-income residents tend to acquire the relatively low-valued housing and retain ownership for longer periods because move-up opportunities are limited. Since the last evaluation, the Mitchell Area Development Corporation initiated steps to facilitate the development of low-income housing. Outside the city limits, but within Davison County, zoning laws may affect the availability of housing to low- and moderate-income people. Apparently, the county has established a 25-acre minimum lot size for rural housing developments.

In the Mitchell area, the major agricultural products are livestock, dairy, small grains, corn, and soybeans. Despite weak beef prices, the local agricultural industry is strong; farmers raised high-yielding crops and received high prices in 1996.

According to 1990 U.S. Census data, Mitchell's population is aging. In 1980, the median age of area residents was 30.01. In 1990, it was 33.7 and 19% of the population was age 65 and older.

Huron, the second largest city in the assessment area, has a population of 13,998 according to 1996 estimates. Its current population represents a 12.45% increase since the 1990 census when the city's population was 12,448. Its economy has experienced strong growth and low unemployment during the past several years. The low unemployment rate is partially attributable to the fact that the city added 2,000 new jobs since 1990.

Huron is the economic center for an eight-county area, which has approximately 50,000 people. Economically, Huron is diversified based on a mix of agriculture, manufacturing, and services. Although approximately 80% of the local industry is agriculture and agriculture-related businesses, recent growth has been concentrated in other areas, such as manufacturing. A major local employer is a utility company, employing approximately 500 persons, which services electric and gas needs of customers residing in South Dakota and Nebraska. Demand for commercial credit in the Huron area is strong. Other large employers include prison door and electrical switch manufacturers.

Despite industrial growth, agriculture remains the primary industry in the Huron area. The primary crops are sunflowers, corn, soybeans, spring and winter wheat, and rye. Crop producers experienced a strong year in 1996 due to good crops and high prices. Hog production is also a primary agricultural sector of the local economy. The major local employer is a hog-processing business, which employs approximately 850 persons.

Huron has a healthy tourism and convention trade. This is attributed to the Huron Arena and the Crossroads Hotel and Convention Center, which are located near downtown Huron. Tourist and convention spending account for approximately 33% of the city's sales tax revenues.

Residential real estate prices have been increasing in Huron. Nonetheless, housing remains affordable. During the past two years, the housing construction market has been strong but concentrated in middle- to upper-income housing. In 1996, 43 new homes were built in Huron. The availability of newly constructed, higher-end homes has increased the number of more moderately priced homes on the market. Since the last evaluation, a local economic development corporation has initiated plans for a low- and moderate-income housing development in Huron.

Located between Mitchell and Huron, Woonsocket is a small farming community with approximately 766 persons. Woonsocket has evolved into a bedroom community for Huron and Mitchell, both of which have low unemployment rates that force employers to attract employees who reside outside the communities. Its population is stable, but the city attracts few new residents because it lacks an adequate infrastructure. According to bank management, the town needs significant curb and gutter improvements, but local residents have not approved such a project.

According to bank management, the Woonsocket economy is stable and primarily agricultural. Most local farmers raise calves and have suffered through three years of low prices. As a result of the low prices, the bank recognized the need to be more flexible when applying its credit underwriting standards to local beef farmers. Indicators suggest that beef prices will increase in the near future.

In addition to raising calves, local farmers grow hay, corn, soybeans, wheat, and sunflowers. Apparently, hay is a very profitable crop because of its low input expense, and it is a suitable crop for an area that has land highly susceptible to erosion. Unfortunately, the Woonsocket area also has many wetland areas, which farmers cannot till for crops.

Due to lack of commercial activity and growth, the demand for commercial credit in the Woonsocket area is weak. Economically, the area is not diversified; most commercial entities are agriculture-related businesses. The major employers are a grain elevator and a taxidermy supply manufacturer. Most Woonsocket residents travel to Mitchell or Huron for shopping, medical services, and entertainment.

Woonsocket's housing stock is aging. Most residences are single-family units; only 6 have been built in the last 15 years. Due to the lack of population growth, demand for residential loans is weak.

Businesses of various sizes operate within the bank's assessment area. According to 1993 County Business Patterns information, approximately 97% of the business establishments operating in the assessment area employed 1 to 49 persons. Most of the businesses that employed more than 49 persons are located in Davison and Beadle counties. During the evaluation, bank management confirmed that almost all of the businesses operating in the assessment area are small businesses.

The bank operates in very competitive financial services markets. The Mitchell market is very competitive with five banks and one federal savings bank. In Huron, the bank's branches compete primarily against three banks and numerous credit unions. Several aggressive credit unions operate in the bank's assessment area. Although the bank's Woonsocket branch is the only bank office in that town, it competes against financial institutions operating in Huron. The bank also competes against financial institutions that have main or branch offices located in the assessment area but outside Mitchell, Huron, and Woonsocket. Two competitor financial institutions have either main or branch offices between the moderate-income BNA and Mitchell. All of the bank's offices compete with Farm Credit Services for agricultural loans.

During the evaluation, examiners contacted county officials and economic development representatives to discuss community credit needs and development projects. Information from these contacts was used in evaluating the bank's CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs of its assessment area is satisfactory. Most of the analysis on the following pages was based on a statistical sample of 179 consumer, 62 consumer real estate, 80 commercial, and 97 agricultural loans originated during a six-month period preceding the evaluation. The following criteria were analyzed to determine the bank's CRA rating: loan-to-deposit ratio, credit extended inside compared to credit extended outside the assessment area, loans to borrowers of different income levels and to businesses of different sizes, loans to borrowers in different geographies, and general information.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio exceeds the standards for satisfactory performance. Since the last evaluation, the bank's net loan-to-deposit ratio has fluctuated between 79% and 84%. The bank's general

lending performance compares favorably with its peer group based on December 31, 1996, Uniform Bank Performance data. These data indicate that the bank's December 31, 1996, net loan-to-deposit ratio of 79% ranks the bank in the 72nd percentile as compared with its peers. The quarterly average of the bank's net loan-to-deposit ratio, based on the data for the seven calendar quarters since June 30, 1995, is 81%. The following chart summarizes the bank's net loan-to-deposit ratio and its components since June 30, 1995.

DATE	NET LOANS (In thousands)	DEPOSITS (In thousands)	NET LOAN-TO- DEPOSIT RATIO
June 30, 1995	\$107,613	\$132,798	81%
September 30, 1995	\$108,024	\$134,518	80%
December 31, 1995	\$109,684	\$135,532	81%
March 31, 1996	\$108,929	\$134,297	81%
June 30, 1996	\$113,760	\$134,808	84%
September 30, 1996	\$116,284	\$140,686	83%
December 31, 1996	\$114,755	\$145,735	79%

The bank's loan data does not reflect loans sold to the secondary market since the last evaluation. The bank sells residential real estate loans to the secondary market; if these loans were included in the data set forth above, the net loan-to-deposit ratio would increase slightly in any given quarter.

As previously noted, the bank's net loan-to-deposit ratio compares favorably with other financial institutions operating main offices or branches in the assessment area.

BANK	TOTAL ASSETS (December 31, 1996) (In thousands)	QUARTERLY AVERAGE NET LOAN-TO-DEPOSIT RATIO
Commercial Trust & Savings Bank Mitchell, South Dakota	\$165,672	81%
CorTrust Bank Mitchell, South Dakota	\$168,433	80%
Farmers & Merchants Bank Huron, South Dakota	\$155,981	73%
American State Bank Wessington Springs, South Dakota	\$ 70,783	67%
Farmers & Merchants State Bank Plankinton, South Dakota	\$ 44,806	63%
Fulton State Bank Fulton, South Dakota	\$ 23,246	71%
Farmers State Bank Parkston, South Dakota	\$ 79,283	49%
First State Bank Armour, South Dakota	\$ 54,329	71%
Merchants State Bank Freeman, South Dakota	\$ 50,692	86%
The First National Bank of Freeman Freeman, South Dakota	\$ 45,738	47%
Security State Bank Alexandria, South Dakota	\$ 38,507	66%
Farmers State Bank Stickney, South Dakota	\$ 27,910	65%
Menno State Bank Menno, South Dakota	\$ 27,127	43%
Farmers & Merchants State Bank Iroquois, South Dakota	\$ 24,391	80%
Miner County Bank Howard, South Dakota	\$ 23,872	68%
Farmers State Bank Kaylor, South Dakota	\$ 10,191	45%

As the net loan-to-deposit data indicate, the demand for credit appears strong throughout the assessment area. With one exception, the bank has the highest quarterly average net loan-to-deposit ratio of all bank institutions operating main offices or branches in the assessment area. Merchants State Bank, Freeman, South Dakota, has a higher quarterly average net loan-to-deposit ratio than the bank; this competitor is located on the southeasternmost boundary of the bank's assessment area.

The bank's quarterly average net loan-to-deposit ratio is high and exceeds the ratios of most other banks operating offices in the assessment area. For these reasons, the bank's lending activity exceeds this category's standards for a satisfactory rating.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

The bank's lending activity within its assessment area exceeds the standards for satisfactory performance. Since the last evaluation, the bank has extended a large majority of its loans to residents, businesses, and farms in its assessment area. The table below shows the percentage of consumer, consumer real estate, commercial, and agricultural loans by total number and dollar amount originated within the assessment area.

LOANS IN THE ASSESSMENT AREA		
LOAN TYPE	TOTAL NUMBER OF LOANS	TOTAL DOLLAR AMOUNT OF LOANS
Consumer	76%	78%
Consumer Real Estate	98%	98%
Commercial	93%	94%
Agricultural	89%	78%

As mentioned previously, the data are based on a statistical sampling of consumer, consumer real estate, commercial, and agricultural loans originated during a six-month period preceding the evaluation. As the data indicate, the bank's lending activity is heavily concentrated within the assessment area.

The bank's consumer data show that the bank originates some consumer loans outside the assessment area. This is attributed to the bank's indirect lending program through which the bank extends loans to customers of local retailers. These retailers are all located in the bank's assessment area; however, due to the size of the Mitchell and Huron trade areas, the bank originates many consumer loans to residents outside the assessment area. As of December 31, 1996, the consumer loans represented 29% of the bank's loan portfolio.

As the data show, the bank extends almost all of its consumer real estate loans to assessment area residents. The bank also extends a significant majority of its commercial and agricultural loans to entities and people operating in the assessment area. Consumer real estate, commercial, and agricultural loans represent 70% of the bank's loan portfolio. The bank's consumer lending in the assessment area is lower than the other loan categories because the bank purchases indirect paper from dealers, all of whom are located in the assessment area but service customers from a larger trade area than the bank's assessment area. Due to the bank's strong consumer real estate, commercial, and agricultural lending performance in the assessment area, the bank's lending performance exceeds this category's standard for satisfactory performance.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's level of lending to individuals of different incomes and to businesses and farms of different sizes meets the standards for satisfactory performance. As previously discussed, CRA classifies income levels into four categories: low, moderate, middle, and upper. According to the 1990 U.S. Census data, the median family income for the assessment area is \$25,488. For purposes of classifying the bank's consumer borrowers, the 1996 South Dakota nonmetropolitan median family income of \$32,800 is compared to borrowers' incomes.

The table, set forth below, shows the percentage of consumer and consumer real estate loans made to borrowers of different income levels.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVELS*								
Loan Type	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Consumer	34%	20%	25%	16%	17%	27%	23%	37%
Consumer Real Estate	5%	2%	21%	14%	33%	29%	41%	54%

*Income level is determined based on the 1996 South Dakota nonmetropolitan median family income of \$32,800.

The consumer loan data, based on a statistical sampling of loans originated during the six months preceding the evaluation, reveal that the bank extends a large percentage of consumer loans to low- and moderate-income borrowers. Consumer loans to these borrowers represented 59% of the total number of loans and 36% of the total amount of loans in the sample. Low- and moderate-income families and households comprise 37% and 41% of the assessment area population, respectively. More specifically, low-income families and households represent 18% and 24% of the local population, respectively; moderate-income families and households represent the balance. Thus, the bank's consumer lending to low- and moderate-income borrowers appears to exceed the representation of such people in the assessment area.

The consumer real estate data show that the bank's lending to low- and moderate-income persons is 26% of the total number and 16% of the total amount of consumer real estate loans originated in the six months preceding the evaluation. The bank's consumer loan originations to low-income people is lower, while loans to moderate-income persons is higher, than expected given the area's demographics. According to bank management, the data reflect the lack of affordable housing in the Mitchell area. Community contacts confirmed the lack of affordable housing in the Mitchell area. The insufficient supply of low- and moderately priced homes translates into low demand for residential real estate loans from low- and moderate-income people.

In order to service the residential real estate credit needs of low- and moderate-income people, the bank participates in several government-sponsored loan programs. For example, it originates SDHA first-time homebuyer loans. This SDHA loan program has tiered income restrictions based on family size. In Davison County, the maximum income for a family with one or two persons is \$35,400; for a family with three or more persons, it is \$40,710. In all other counties within the assessment area, the maximum income restriction for a family with one or two members is \$35,300, and for a family with three or more members, it is \$40,595. The bank also participates in SDHA's Mortgage Assistance Program ("MAP"), which provides low-interest-rate financing for down payment and closing costs. SDHA MAP applicants must meet certain purchase price and income restrictions, which vary based on family size and county, to qualify for a loan. Applicants must also provide a minimum down payment of 3% of the purchase price or \$2,000. Since the last evaluation, the bank has originated numerous SDHA loans.

The bank also participates in the SDHA Home Sweet Home loan program, which is a home improvement loan program. The maximum income restrictions under this program are \$30,115 for Beadle County

residents, \$29,355 for Davison County residents, and \$28,310 for all other assessment area residents. Since the last evaluation, the bank has originated numerous SDHA Home Sweet Home loans.

In Huron, the bank has participated in a housing development that benefits low- and moderate-income people. Qualified applicants are subject to maximum income requirements depending on the size of the household. The income guidelines are as follows: one-person household, \$19,750; two-person household, \$22,600; three-person household, \$25,400; four-person household, \$28,250; and five-person household, \$30,500. Qualified applicants purchase lots for \$650 from the local economic development authority and then arrange for a contractor and home financing through private providers. Since the last evaluation, the bank has financed a loan to a borrower participating in this program.

The sample of commercial and agricultural loans reviewed during the evaluation shows that the bank originates loans to small businesses and farms, defined as entities with gross annual revenues of \$1 million or less. The bank's data show that it extended 86% and 99% of its commercial and agricultural loans to small businesses and farms, respectively. It also shows that the bank is willing to extend loans of various sizes to small business and farm entities. The table below sets forth the information reviewed during the evaluation.

DISTRIBUTION OF SMALL BUSINESS AND SMALL FARM LOANS BY LOAN AMOUNT			
	Loan Amount \$100,000 or less	Loan Amount \$100,000.01 to \$250,000	Loan Amount \$250,000.01 to \$1,000,000
Small Business	83%	10%	7%
Small Farm	93%	6%	1%

The high level of loan originations to small businesses and farms is expected because almost all commercial and farm entities in the bank's assessment area are classified as small businesses and farms.

The bank participates in several government-sponsored loan programs that benefit assessment area small businesses. It originates NESDECC loans in Beadle County. NESDECC applicants are typically people with limited ownership equity who wish to start a new business or develop an existing business. The program requires the participation of a private lender who originates a loan with up to a 50% guarantee from NESDECC. The maximum loan amount is \$20,000. Since the last evaluation, the bank has originated several NESDECC-guaranteed loans.

The bank's lending performance to small businesses and farms is strong but generally reflects the concentration of such entities in the assessment area. Its performance with respect to consumer loans extended to low- and moderate-income people is also strong. In contrast, the bank's consumer real estate lending performance to low-income people is less than expected based on the assessment area's demographics. This is the result of the affordable housing shortage in Mitchell. For these reasons, the bank's lending to individuals of different incomes and to businesses and farms of different sizes meets this category's standards for satisfactory performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of the bank's loans among geographies of different income levels meets the standards of satisfactory performance. As previously discussed, the bank's assessment area has no low-income BNAs but has one moderate-income BNA. The following table shows the distribution of the bank's consumer, consumer real estate, commercial, and agricultural loans in moderate-, middle-, and upper-income areas.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BNA INCOME LEVEL*						
Loan Type	Moderate-Income BNA		Middle-Income BNA		Upper-Income BNA	
	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans	Number of Loans	Amount of Loans
Consumer	-	-	81%	83%	19%	17%
Consumer Real Estate	-	-	68%	68%	32%	32%
Commercial	1%	-	72%	50%	26%	50%
Agricultural	-	-	92%	93%	8%	7%

*The bank's assessment area does not include any low-income BNAs.

As the data show, the bank does not actively extend loans to people, businesses, and farms located in the moderate-income BNA 9736. This BNA represents the northern half of Aurora County, which is approximately 30 miles from Mitchell. The moderate-income BNA has a total population of 1,937, representing approximately 3% of the assessment area's total population. Two local financial institutions serve residents, businesses, and farms in Aurora County; one institution has its main office in Stickney, while the other has its main office in Plankinton and a branch office in White Lake. The latter two towns are located on the southern boundary of the moderate-income BNA.

As the data indicate, the bank's loans are primarily concentrated in the assessment area's middle-income BNAs. Approximately 81% of the assessment area population reside in middle-income BNAs.

The bank also extends BASEC loans. The Northeast South Dakota Community Action Program submitted an application for a loan on behalf of BASEC. An enterprise community manages economic improvement programs in "distressed areas." Beadle County BNA 9566 is a designated distressed area. BASEC's two commercial loan programs are the Intermediary Relending Program ("IRP") and the Business CD Pledge Program ("BCPP"). Pursuant to the IRP, successful applicants receive an interest-subsidized loan; the amount of the interest subsidy varies based on equity ownership and jobs created or retained. BCPP participants receive a loan guarantee in the form of a certificate of deposit purchased from the private lender. The guarantee is limited to \$50,000 but cannot exceed 50% of the loan amount. BASEC also operates a residential real estate loan program. Each loan program benefits residents and businesses in Beadle County BNA 9566. Since the last evaluation, the bank has originated numerous BASEC residential real estate loans.

The bank does not extend many loans to persons, businesses, and farms in the assessment area's moderate-income BNA. This appears to be a function of the distance between the moderate-income BNA and Mitchell, as well as the proximity of competitor banks to the moderate-income BNA. The distribution of loans in the middle- and upper-income BNAs appears reasonable. Consequently, the bank's lending activity meets this category's standard for satisfactory performance.

GENERAL

The evaluation did not reveal any violations of the substantive provisions of the fair lending and fair housing laws and regulations; however, it did reveal one procedural violation and one technical violation of Regulation B.

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

PUBLIC DISCLOSURE

March 10, 1997

Date of Evaluation

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Commercial Trust & Savings Bank

Name of Depository Institution

094610000000

Identification Number of Institution

Mitchell, South Dakota

Address of Institution

Federal Reserve Bank of Minneapolis
250 Marquette Avenue
Minneapolis Minnesota 55401-2171

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.