

## **PUBLIC DISCLOSURE**

June 24, 2019

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

Peoples State Bank of Plainview  
100 Fourth Avenue Southeast  
Plainview, MN 55964  
RSSD 786555

**Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue, P.O. Box 291  
Minneapolis, MN 55480-0291**

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 the 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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*Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.*

## INSTITUTION

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

Examiners evaluated the Community Reinvestment Act (CRA) performance of Peoples State Bank of Plainview, Plainview, Minnesota, using the Small Bank CRA Examination Procedures. Based on the bank's asset size and financial condition, the bank effectively meets the credit needs of small farms, small businesses, and residents in its assessment areas.

Several factors support the bank's Satisfactory rating.

- Overall, the bank's lending to farms and businesses of different sizes and borrowers of different income levels is reasonable.
- The geographic distribution of the bank's loans reflects reasonable dispersion throughout the assessment areas.
- The bank's net loan-to-deposit ratio is reasonable given the bank's asset size and financial condition as well as the credit needs of the assessment areas.
- The bank originated a majority of its loans within the assessment areas.

The bank received a Satisfactory rating at the previous evaluation, dated April 6, 2015.

### DESCRIPTION OF INSTITUTION

*Offices.* Since the previous examination, the bank acquired Altura State Bank, Altura, Minnesota. This acquisition added one branch, bringing the bank's total number of offices to six. Four offices are in Minnesota: the main office in Plainview, and branches in Elgin, Altura, and Millville. Each offers weekend hours and drive-up facilities, and the main office offers extended weekday hours. The two offices in Wisconsin are located in Boyceville and Menomonie, and they offer drive-up facilities as well as weekend hours. All but the Millville branch are full-service offices; Millville does not originate loans.

The bank operates two cash-dispensing-only ATMs. One is located at the main office in Plainview, and the other is at the Menomonie branch.

*Alternative Delivery Methods.* The bank also offers telephone, online, and mobile banking. Bank customers may apply for certain deposit accounts, mortgage loans, and consumer loans through the bank's website. Customers enrolled in the online banking system can use the bill payment service, transfer funds between accounts, make loan payments, review account activity, and sign up for electronic statements.

*Loan Portfolio.* The March 31, 2019, Report of Condition (ROC) lists the bank's total assets as \$262.1 million. The bank's primary lending focuses are agriculture, commercial, and real estate loans. The ROC data shows that the composition of the bank's \$186.7 million loan portfolio is 36.6% agricultural, 32.4% commercial, 26.1% residential real estate, 4.5% consumer, and 0.4% other loans. The loan portfolio has grown by 52.5% since the previous evaluation, and total assets increased by 33.6%. Though the loan portfolio has grown significantly, its composition remains largely the same.

*Credit Products.* The bank offers agricultural, commercial, residential real estate, and consumer loans and lines of credit. The bank also offers government-sponsored loan programs, including programs offered by

the Minnesota Rural Finance Authority, the U.S. Department of Agriculture (USDA) Rural Development, the USDA Farm Service Agency, and the U.S. Small Business Administration.

## SCOPE OF EVALUATION

Examiners evaluated the bank's CRA performance based partly on information provided by bank management and by community contacts. Examiners also reviewed economic and demographic data, competitive factors, and the size and financial condition of the bank to understand and evaluate the bank's CRA performance. The CRA evaluation covers the period from April 7, 2015, to June 24, 2019.

The bank has designated three assessment areas for CRA purposes: two in Minnesota, and one in Wisconsin. Based on lending data, the bank originated 63.6% of its loans by number in the Rochester, Minnesota, Metropolitan Statistical Area (Rochester MSA) assessment area, 24.3% in the Wisconsin assessment area, and 12.1% in the Winona County, Minnesota, assessment area. Based on the June 30, 2018, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, 61.9% of the bank's deposits are in the Rochester MSA assessment area, followed by 20.5% in the Wisconsin assessment area, and 17.6% in the Winona County assessment area. Examiners conducted full-scope reviews of the Rochester MSA and Wisconsin assessment areas, and a limited-scope review of the Winona County assessment area. Detailed descriptions of the bank's assessment areas are located in their respective sections.

Examiners are required to assign a rating to each state for institutions operating in more than one state. The Minnesota state rating is based primarily on the bank's performance in the Rochester MSA assessment area. Therefore, this evaluation does not have a separate discussion of performance criteria at the Minnesota state level; rather, the state conclusions are supported by the Rochester MSA performance discussion. The Wisconsin state rating is based solely on the performance in the only assessment area in the state. Examiners placed greater weight on the bank's lending activity in Minnesota. This weighting reflects the bank's significant concentration of loans and deposits in Minnesota.

The scope of the evaluation covers the bank's major product lines. Examiners based the evaluation on a statistical sample of 88 small business and 120 consumer loans originated between July 1, 2018, and December 31, 2018, and 113 small farm loans originated between January 1, 2018, and December 31, 2018. Table 1 shows the bank's loan origination activity in 2018.

<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Construction/Land Development	23	1.8	\$ 4,851,009	4.4
Consumer	461	36.8	5,095,575	4.6
Home Equity Lines of Credit	40	3.2	1,722,450	1.6
Personal Lines of Credit	1	0.1	5,000	0.0
Residential Real Estate	179	14.3	26,441,526	23.9
Small Business (≤ \$1 million)	269	21.5	25,189,558	22.8
Commercial (> \$1 million)	8	0.6	15,170,000	13.7
Small Farm (≤ \$500,000)	257	20.5	22,517,431	20.4
Agricultural (> \$500,000)	11	0.9	8,404,069	7.6
Mobile Home	3	0.2	56,240	0.1
Municipal	2	0.2	1,119,236	1.0
Tax Exempt	3	0.2	63,500	0.1
<b>Total</b>	<b>1,254</b>	<b>100.0</b>	<b>\$110,635,594</b>	<b>100.0</b>

The bank is also required to report Home Mortgage Disclosure Act (HMDA) data because it has offices in an MSA. The bank originated 182 HMDA loans in 2015, 241 loans in 2016, and 246 loans in 2017. This evaluation includes analysis of the bank’s home purchase, refinance, home improvement, and multifamily dwelling loans originated in 2016 and 2017. Examiners reviewed the 2015 data for consistency with 2016 and 2017 but did not include the analysis of 2015 loans in this evaluation. Examiners also reviewed the 2016 and 2017 HMDA data reported by aggregate lenders to better assess the bank’s performance relative to other HMDA lenders in the assessment areas.

Examiners analyzed the following criteria to determine the rating:

- Lending to farms and businesses of different sizes and to borrowers of different income levels.
- Geographic distribution of loans.
- Net loan-to-deposit ratio.
- Lending inside of the assessment areas.
- Record of responding to complaints about the bank’s CRA performance.

Of the five core criteria, examiners placed the greatest weight on the bank’s lending to farms and businesses of different sizes and to borrowers of different income levels, followed by geographic distribution of loans. Examiners weighted the remaining criteria equally. By product type, in the Rochester MSA assessment area, examiners weighted small farm loans the greatest; small business, consumer, and HMDA loans were of equal, but lesser weight. In the Wisconsin assessment area, examiners weighted small business loans greater than HMDA loans.<sup>2</sup>

The bank has not received any CRA-related complaints since the previous evaluation.

<sup>1</sup> Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

<sup>2</sup> Examiners did not analyze small farm and consumer loans in the Wisconsin assessment area due to limited volume.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's CRA rating is Satisfactory. Overall, the bank's lending to small businesses, small farms, and low- and moderate-income borrowers inside the assessment areas reflects reasonable penetration among farms and businesses of different sizes and among individuals of different income levels. The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The net loan-to-deposit ratio indicates a reasonable level of lending, given the bank's size, financial condition, and the assessment areas' credit needs. The bank originated a majority of loans inside its assessment areas.

Because the bank has three assessment areas in two states, the regulation requires a separate analysis for the bank's performance in each state. Discussions of the bank's lending to farms and businesses of different sizes and to borrowers of different income levels and the geographic distribution of the bank's loans are in the individual state/assessment area sections. Examiners completed the analyses of the bank's net loan-to-deposit ratio and assessment area concentration on a bankwide level.

### LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio (LTD) shows a reasonable level of lending. The bank's 17-quarter average LTD since the previous evaluation was 79.4%. During this period, the LTD ranged from 75.1% to 83.5%. As of March 31, 2019, the bank's LTD was 83.5%, which is slightly above its peer group LTD, at 80.4%. The bank's national peer group includes all insured commercial banks having assets between \$100 and \$300 million with three or more full-service branches operating in an MSA. The average LTD at the previous examination was 75.2%.

The bank faces significant competition from local banks, as well as larger national banks with branches in the area, which can affect lending opportunities. Bank management stated that the bank's ratio fluctuates due to a variety of factors. One factor is the seasonal nature of agricultural lending. Since this is one of the bank's primary product lines, heavier borrowing in the spring and loan payoffs in the fall affect the LTD ratio. In addition, the bank's Menomonie office originates a higher percentage of commercial loans. These loans can vary in size, but larger commercial deals also influence the LTD ratio.

Overall, the bank's LTD is reasonable given the bank's asset size, financial condition, and the credit needs of the assessment areas. The bank has demonstrated a willingness to lend in each assessment area. In addition, community contacts did not identify any unmet credit needs.

### COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREAS

The bank originated the majority of HMDA, small business, small farm, and consumer loans inside the assessment areas, as shown in Table 2. By number, the bank originated 86.1% of its loans in the assessment areas. By dollar amount, the bank originated 85.7% of its loans inside the assessment areas.

<i>Loan Category</i>	<i>Inside</i>				<i>Outside</i>			
	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
HMDA	559	83.6	79,161	84.2	110	16.4	14,884	15.8
Small Business	75	85.2	7,254	90.3	13	14.8	779	9.7
Small Farm	111	98.2	8,790	98.1	2	1.8	171	1.9
Consumer	107	89.2	939	84.6	13	10.8	171	15.4
<b>Total</b>	<b>852</b>	<b>86.1</b>	<b>96,144</b>	<b>85.7</b>	<b>138</b>	<b>13.9</b>	<b>16,006</b>	<b>14.3</b>

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

The bank’s lending to borrowers of different income levels and to businesses and farms of different sizes is reasonable. For a detailed discussion of the distribution of lending by borrower income and revenue levels, see the Conclusions with Respect to Performance Criteria for each assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank’s geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas. The Rochester MSA assessment area contains no low-income census tracts and 10 moderate-income census tracts. The Winona County Minnesota assessment area contains only middle-income census tracts. The Wisconsin assessment area contains no low-income census tracts and one moderate-income census tract. For a detailed discussion of the geographic distribution of loans in each full-scope assessment area, see the Conclusions with Respect to Performance Criteria for each assessment area.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

Neither the bank nor the Federal Reserve Bank of Minneapolis has received any CRA-related complaints concerning the bank since the previous evaluation.

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B--Equal Credit Opportunity Act, Regulation C--Home Mortgage Disclosure Act, and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

## MINNESOTA

**CRA RATING FOR MINNESOTA:** Satisfactory

### DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN MINNESOTA

During the evaluation period, the bank had two assessment areas in Minnesota: Rochester MSA and Winona County. At the previous evaluation, the bank included Olmsted and Wabasha counties and a singular tract in the northwest corner of Winona County in its Rochester MSA assessment area. In 2016, the bank acquired Altura State Bank. With this acquisition, the bank expanded its lending footprint in Winona County, dropped the Winona County tract from the Rochester MSA assessment area, and created a new assessment area in Winona County.

According to the June 30, 2018, FDIC Market Share Report, the bank ranked ninth of 25 FDIC-insured financial institutions operating in Olmsted and Wabasha counties (the Rochester MSA assessment area), with 2.9% of total deposits. The bank ranked fifth of eight institutions in Winona County<sup>3</sup>, with 3.7% of total deposits.

### SCOPE OF EVALUATION

Examiners completed a full-scope review of the Rochester MSA assessment area and a limited-scope review of the bank's Winona County assessment area. Since examiners evaluated only one of the bank's Minnesota assessment areas using the full-scope procedures, the state conclusions are supported by the Rochester MSA performance discussion. The limited-scope review of the bank's Winona assessment area is discussed separately and did not change the conclusions for the State of Minnesota.

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<sup>3</sup> The bank's Winona County assessment area consists of only three of the 10 census tracts in the county.



## METROPOLITAN AREA FULL-SCOPE REVIEW

### DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE ROCHESTER MSA ASSESSMENT AREA

*Bank Information.* Three of the bank’s Minnesota offices are located in Wabasha County, which is part of the Rochester MSA. The main office is in Plainview and is located in a middle-income census tract. Two other branches are located in Elgin and Millville; both are in a middle-income census tract. The Plainview location offers a cash-dispensing-only ATM. The Millville office operates with limited hours and does not originate loans.

As mentioned, the Rochester MSA assessment area has changed since the previous evaluation and is now comprised of Olmsted and Wabasha counties. In addition to dropping the Winona County census tract from the assessment area after 2015, the income classification of nine tracts in Olmsted County and two tracts in Wabasha County changed based on 2017 Federal Financial Institutions Examination Council (FFIEC) adjusted census data. Currently, the assessment area consists of 10 moderate-, 18 middle-, and 11 upper-income census tracts; eight of the moderate-income tracts are in Olmsted County and two are in Wabasha County.

Table 3 shows the demographic characteristics of the Rochester MSA assessment area based on 2018 FFIEC census data and 2018 Dun & Bradstreet data.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families &lt; Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	8,205	18.4
Moderate Income	10	25.6	9,564	21.4	1,006	10.5	7,953	17.8
Middle Income	18	46.2	19,304	43.2	931	4.8	10,397	23.3
Upper Income	11	28.2	15,822	35.4	408	2.6	18,135	40.6
<b>Total Assessment Area</b>	<b>39</b>	<b>100.0</b>	<b>44,690</b>	<b>100.0</b>	<b>2,345</b>	<b>5.2</b>	<b>44,690</b>	<b>100.0</b>
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		#	%	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	18,743	10,005	20.0	53.4	7,343	39.2	1,395	7.4
Middle Income	30,562	21,851	43.7	71.5	6,541	21.4	2,170	7.1
Upper Income	22,157	18,125	36.3	81.8	2,987	13.5	1,045	4.7
<b>Total Assessment Area</b>	<b>71,462</b>	<b>49,981</b>	<b>100.0</b>	<b>69.9</b>	<b>16,871</b>	<b>23.6</b>	<b>4,610</b>	<b>6.5</b>

<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	1,905	24.7	1,710	24.2	175	30.3	20	23.5
Middle Income	3,465	44.8	3,168	44.8	254	43.9	43	50.6
Upper Income	2,357	30.5	2,186	30.9	149	25.8	22	25.9
<b>Total Assessment Area</b>	<b>7,727</b>	<b>100.0</b>	<b>7,064</b>	<b>100.0</b>	<b>578</b>	<b>100.0</b>	<b>85</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>91.4</b>		<b>7.5</b>		<b>1.1</b>
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	25	4.9	25	5.0	0	0.0	0	0.0
Middle Income	376	74.0	370	73.9	6	85.7	0	0.0
Upper Income	107	21.1	106	21.2	1	14.3	0	0.0
<b>Total Assessment Area</b>	<b>508</b>	<b>100.0</b>	<b>501</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>98.6</b>		<b>1.4</b>		<b>0.0</b>

*Income.* For the purposes of classifying borrower income, this evaluation uses the FFIEC’s estimated median family income for the relevant area. The median family income in the Rochester MSA was \$81,100 for 2016, \$84,100 for 2017, and \$86,200 for 2018. For purposes of classifying census tracts by income level, this evaluation uses the FFIEC adjusted census data median family income for the Rochester MSA, which was \$74,450 for 2016 and \$81,036 for 2017 and 2018.

*Population.* According to the 2018 FFIEC adjusted census data, the population of this assessment area is 170,117. Approximately 53.6% of residents are between the ages of 25 and 64 years old. The census data also indicates that 8.5% of the households in the assessment area are below the poverty level.

*Economy.* The assessment area’s economy focuses primarily on agriculture in the more rural areas and health care in the areas in and surrounding Rochester, which is the largest city in the assessment area. The Mayo Clinic is located in Rochester, and as a result, the city’s health-care economy is growing rapidly. Rochester is also home to several technology companies, including a large IBM facility.

Bank management stated that the local agricultural economy is primarily dairy production, soy, and corn. The city of Plainview also has a number of other businesses, including a food packaging plant that employs a number of local residents and brings in a large seasonal workforce. Other major employers include a dairy cooperative, multiple farm machinery dealerships, local schools, and a local HVAC warehouse.

*Housing.* Housing in the assessment area continues to get more expensive due to increased demand and the costs of development. As the Mayo Clinic continues to expand operations, housing is becoming scarce. Because of this housing demand, many families look to outlying communities for more affordable alternatives. The city of Plainview has developed a number of new lots in response to this increased demand. A community contact stated that home construction on these lots will help to create more homes for purchase, but there is still a need for rental housing. The city is aware of this problem, but the cost of

developing rental housing continues to be a factor. A contact noted that these costs are often too high for rental development to be profitable.

A large number of banks compete in the MSA to earn a share of this market’s deposits and loans. The community contact did not identify any unmet credit needs in the bank’s assessment area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE ROCHESTER MSA ASSESSMENT AREA**

The bank effectively meets the credit needs of farms, businesses, and residents in the Rochester MSA assessment area. Overall, the bank's lending to low- and moderate-income borrowers and to small businesses and small farms is reasonable. The geographic distribution of loans is reasonable and does not reveal any unexplained gaps in lending.

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

The bank’s lending to borrowers of different income levels and to businesses and farms of different sizes in the Rochester MSA assessment area is reasonable.

*Small Farm Lending.* The bank’s small farm lending in the assessment area is reasonable. Table 4 shows the bank’s small farm lending activity in the Rochester MSA.

<b>Table 4 Small Farm Lending Rochester MSA Assessment Area</b>				
<i>Small Farm Loans</i>	<i>≤ \$100,000</i>	<i>&gt; \$100,000 to ≤ \$250,000</i>	<i>&gt; \$250,000 to ≤ \$500,000</i>	<i>Total Originations</i>
Percentage of All Small Farm Loans	79.4%	11.1%	9.5%	100.0%
Percentage of Loans to Farm with Revenues of \$1 Million or Less	78.2%	10.9%	10.9%	87.3%

The bank originated 87.3% of its small farm loans to farms with revenues of \$1 million or less. The bank’s lending is below demographics, which indicate that 98.6% of assessment area farms are small. However, the bank’s performance is reasonable, given the performance context. Bank management indicated that roughly half of the local agricultural market in the assessment area focuses on dairy production. According to the Center for Farm Financial Management at the University of Minnesota, Minneapolis, Minnesota, dairy farms in particular struggle with liquidity, and many small farms across Minnesota are currently struggling with debt repayment, which could affect the bank’s lending to small farms. Finally, the bank’s lending by loan amount is notable; 78.2% of the bank’s loans to small farms were in amounts of \$100,000 or less. This shows the bank’s willingness to make smaller loans to meet the needs of small farms in the assessment area.

*Small Business Lending.* The bank’s small business lending in the assessment area is reasonable. Table 5 shows the bank’s small business lending activity in the Rochester MSA.

<b>Table 5</b>				
<b>Small Business Lending</b>				
<b>Rochester MSA Assessment Area</b>				
<i>Small Business Loans</i>	<i>≤ \$100,000</i>	<i>&gt; \$100,000 to ≤ \$250,000</i>	<i>&gt; \$250,000 to ≤ \$1,000,000</i>	<i>Total Originations</i>
Percentage of All Small Business Loans	62.5%	28.1%	9.4%	100.0%
Percentage of Loans to Businesses with Revenues of \$1 Million or Less	72.7%	27.3%	0.0%	68.8%

The bank originated 68.8% of its loans to businesses with gross annual revenues of \$1 million or less. The bank’s lending is below demographics, which indicates that 91.4% of businesses in the assessment area are small. While the bank’s lending to small businesses is below demographics, it is reasonable. A community contact indicated that small business development has stalled recently, particularly in the city of Plainview and its immediate surrounding area. In addition, of the loans made to larger businesses, more than half were multiple loans extended to only three borrowers. Finally, the bank shows its willingness to serve local small businesses by originating 72.7% of its loans to small businesses in amounts of \$100,000 or less. These loans help to meet specific credit needs of the small businesses in the assessment area.

*Residential Real Estate Lending.* The bank’s HMDA lending to low- and moderate-income borrowers is reasonable. Table 6 shows the bank’s real estate lending for 2016 and 2017.

<b>Table 6</b>										
<b>HMDA Lending</b>										
<b>Rochester MSA Assessment Area</b>										
<b>2016 HMDA Loans by Income Level of Borrower</b>										
<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	#	%	#	%	#	%	#	%	#	%
Home Purchase	11	15.1	11	15.1	19	26.0	24	32.9	8	11.0
Refinance	9	19.1	5	10.6	11	23.4	20	42.6	2	4.3
Home Improvement	1	6.7	1	6.7	5	33.3	6	40.0	2	13.3
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total 2016 HMDA Loans</b>	<b>21</b>	<b>15.6</b>	<b>17</b>	<b>12.6</b>	<b>35</b>	<b>25.9</b>	<b>50</b>	<b>37.0</b>	<b>12</b>	<b>8.9</b>
<b>2017 HMDA Loans by Income Level of Borrower</b>										
<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	#	%	#	%	#	%	#	%	#	%
Home Purchase	6	9.1	11	16.7	19	28.8	22	33.3	8	12.1
Refinance	8	21.6	10	27.0	8	21.6	8	21.6	3	8.1
Home Improvement	3	17.6	2	11.8	3	17.6	8	47.1	1	5.9
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	2	100.0
<b>Total 2017 HMDA Loans</b>	<b>17</b>	<b>13.9</b>	<b>23</b>	<b>18.9</b>	<b>30</b>	<b>24.6</b>	<b>38</b>	<b>31.1</b>	<b>14</b>	<b>11.5</b>

The bank is an active residential real estate lender in the Rochester MSA assessment area. In 2016, the bank ranked 13th out of 275 lenders that reported HMDA loans in the assessment area, but originated only 1.9% of total HMDA loans reported. The top 10 reporters captured 58.1% of the loans reported. In 2017, the bank ranked 12th out of 253 lenders, but again originated only 1.9% of the loans reported. The top 10 reporters captured 53.8% of the loans reported. Competition for mortgage loans in the assessment

area is strong and includes national and regional banks, a large local savings bank, a large credit union, and online lenders.

In 2016, the bank’s lending to low- and moderate- income borrowers was reasonable. The bank originated 15.6% of its HMDA loans to low-income borrowers and 12.6% of HMDA loans to moderate-income borrowers. For low-income borrowers, the bank’s lending is below demographics, which shows 16.3% of families in the assessment area are low-income, but higher than aggregate lenders’ performance (at 10.2%). For moderate-income borrowers, the bank’s lending is below demographics (at 18.8%) and aggregate lenders’ performance (at 21.9%).

In 2017, the bank’s lending to low- and moderate-income borrowers was also reasonable. Overall, the bank made 13.9% of HMDA loans to low-income families and 18.9% to moderate-income families. For low-income borrowers, the bank’s lending is below demographics (at 18.4%), but slightly above aggregate lending to low-income families (at 11.4%). For moderate-income borrower, the bank’s lending is slightly above demographic (at 17.8%), but below aggregate lenders (at 23.9%).

Of note is the bank’s home purchase lending. The bank’s home purchase lending to low-income borrowers in 2016 was comparable to demographics, as was the home purchase lending to moderate-income borrowers in 2017. This is notable, given the housing scarcity in the area, the high cost of home purchases, and the competition for HMDA loans. A community contact stated there is some development of new homes in the Plainview area. The median sales price of homes in the MSA in 2017 was \$188,000,<sup>4</sup> which may not be affordable for many low- and moderate-income families. Given this context, the bank’s HMDA purchase lending to low- and moderate-income borrowers is significant.

Overall, the bank’s HMDA lending to low- and moderate-income borrowers is reasonable, given the performance context.

*Consumer Lending.* The bank’s consumer lending to low- and moderate-income borrowers is excellent. Table 7 shows the bank’s consumer lending among different income categories.

<b>Table 7</b>										
<b>Distribution of Consumer Loans by Borrower Income Level*</b>										
<b>Rochester MSA Assessment Area</b>										
<b>Loan Type</b>	<b>Low Income</b>		<b>Moderate Income</b>		<b>Middle Income</b>		<b>Upper Income</b>		<b>Unknown Income</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Consumer Loans	45.3%	36.0%	25.3%	20.8%	16.0%	23.4%	6.7%	13.2%	6.7%	6.6%
<b>Demographic Data</b>										
Percentage of Households**	22.5%		15.9%		18.9%		42.7%		NA	
*Median family income for the Rochester MSA was \$86,200 for 2018.										
**Based on 2018 FFIEC census data.										

As shown in the table, the bank extended 45.3% of consumer loans to low-income borrowers and 25.3% of loans to moderate-income borrowers. The bank’s lending significantly exceeds demographics, which indicates that 22.5% of households in the assessment area are low-income, and 15.9% are moderate-income.

<sup>4</sup> According to the U.S. Department of Housing and Urban Development.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution and dispersion of the bank’s loans is reasonable and does not reveal any unexplained gaps in lending. Table 8 shows the distribution of the bank’s small farm, small business, and consumer loans by census tract income level.

<b>TABLE 8</b>						
<b>Geographic Distribution of Small Farm, Small Business, and Consumer Loans</b>						
<b>by Census Tract Income Level*</b>						
<b>Rochester MSA Assessment Area</b>						
<i>Loan Type</i>	<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
	#	\$	#	\$	#	\$
Small Farm	0.0%	0.0%	93.7%	89.7%	6.3%	10.3%
Small Business	3.1%	4.5%	78.1%	62.4%	18.8%	33.0%
Consumer	4.0%	1.3%	92.0%	94.8%	4.0%	3.9%
<b>Demographic Data*</b>						
Number of Census Tracts	10		18		11	
Percentage of Census Tracts	25.6%		45.2%		28.2%	
Percentage of Farms**	4.9%		74.0%		21.1%	
Percentage of Businesses**	24.7%		44.8%		30.5%	
Percentage of Households	25.9%		42.5%		31.6%	
*Income classification of census tracts based on 2018 FFIEC census data.						
**Percentages are based on 2018 Dun & Bradstreet data.						

*Small Farm Lending.* The geographic distribution of small farm loans reflects reasonable dispersion in the assessment area. The bank did not originate any small farm loans in the moderate-income census tracts, which is reasonable given the performance context. According to 2018 Dun & Bradstreet data, only 4.9% of farms in the assessment area are located in the moderate-income census tracts. Eight of the moderate-income tracts are located in the city of Rochester, which has a number of competing banks. The remaining two tracts are located on the northern and northeastern edge of Wabasha County. One of these two tracts surrounds Lake City and is approximately 20 miles from the closest branch that originates loans. The other of these two tracts includes the city of Wabasha and is approximately 13 miles from the main office. Both communities have banking options that are likely more convenient for the few farms located in these tracts. The bank originated the majority of its small farm loans in the middle-income tracts in Wabasha County, which reflects the economic activities in the assessment area and the bank's branch footprint. Examiners did not identify any unexplained gaps in small farm lending.

*Small Business Lending.* The geographic distribution of small business loans is reasonable. The bank originated 3.1% of small business loans in the moderate-income census tracts, which is below area demographics. According to 2018 Dun & Bradstreet data, 24.7% of the total businesses in the assessment area are located in the moderate-income census tracts. The bank made one small business loan in one moderate-income tract in Rochester. As stated, the majority of the moderate-income tracts are in Rochester, where banking competition is high. The other two moderate-income tracts are also located in and around communities with several banking options. The bank’s lack of small business loans in most of the moderate-income tracts is reasonable.

*Consumer Lending.* The geographic distribution of consumer loans is reasonable. The bank originated 4.0% of consumer loans in the moderate-income census tracts. According to the 2010 census, 25.9% of households in the assessment area are located in the moderate-income census tracts. The bank did not originate consumer loans in six moderate-income census tracts in Rochester. The bank also did not make consumer loans in the moderate-income tract in and around Wabasha. As mentioned, the moderate-income census tracts are located near cities with many banking options that are likely more convenient for its residents. The bank originated the majority of consumer loans in middle-income census tracts, which is also reasonable, considering all of the bank’s branches in this assessment area are located in middle-income tracts.

*Residential Real Estate Lending.* The geographic distribution of HMDA loans reflects a reasonable dispersion throughout the assessment area. Table 9 shows the distribution of the bank’s HMDA loans by census tract income level.

<b>TABLE 9</b>						
<b>Geographic Distribution of HMDA Loans by Census Tract Income Level</b>						
<b>Rochester MSA Assessment Area</b>						
<b>2016 HMDA Loans</b>						
<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	#	%	#	%	#	%
Home Purchase	31	42.5	39	53.4	3	4.1
Refinance	14	29.8	26	55.3	7	14.9
Home Improvement	2	13.3	13	86.7	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0
<b>Total 2016 HMDA Loans</b>	<b>47</b>	<b>34.8</b>	<b>78</b>	<b>57.8</b>	<b>10</b>	<b>7.4</b>
<b>2017 HMDA Loans</b>						
<i>Loan Type</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	#	%	#	%	#	%
Home Purchase	6	9.1	50	75.8	10	15.2
Refinance	2	5.4	32	86.5	3	8.1
Home Improvement	0	0.0	17	100.0	0	0.0
Multifamily	1	50.0	1	50.0	0	0.0
<b>Total 2017 HMDA Loans</b>	<b>9</b>	<b>7.4</b>	<b>100</b>	<b>82.0</b>	<b>13</b>	<b>10.7</b>

In 2016, the bank’s lending in the moderate-income tracts, at 34.8%, significantly exceeded demographics, which indicate that 12.0% of assessment area families resided in the moderate-income tracts. The bank’s lending also far exceeded aggregate lenders’ performance in the moderate-income tracts (at 12.4%). In 2017, the bank’s lending in the moderate-income tracts, at 7.4%, was below both demographics (at 21.4%) and aggregate lenders’ performance (at 21.6%).

The bank did not extend HMDA loans in one moderate-income census tract in 2016 and in four moderate-income tracts in 2017. These tracts are wholly or partially within the Rochester city limits. Numerous financial institutions serve Rochester and are likely more convenient for area residents than the closest bank branch (at more than 10 miles away). In addition, in 2016, the main office and the city of Plainview were located in a moderate-income tract. This tract changed to middle-income in 2017, which explains the bank’s decreased level of lending in moderate-income tracts from 2016 to 2017.

Overall, the bank's HMDA lending in the moderate-income census tract is reasonable, given the performance context.



## NONMETROPOLITAN AREA – LIMITED-SCOPE REVIEW

### DESCRIPTION OF THE INSTITUTION’S OPERATIONS IN THE WINONA COUNTY, MINNESOTA ASSESSMENT AREA

Examiners conducted a limited-scope review of the bank’s CRA performance in the Winona County, Minnesota, assessment area. They determined that the bank’s performance in this assessment area is consistent with the bank’s performance in the Rochester MSA assessment area. Examiners analyzed the bank’s small farm and residential real estate loans. Examiners did not review small business and consumer loans due to low volume in this assessment area.

The bank has limited loan volume in this assessment area. Based on lending data, the bank originated 12.1% of its loans by number in the Winona County assessment area. As stated, 17.6% of the bank’s deposits are in the Winona County assessment area, and the bank ranked fifth of eight institutions in Winona County, with 3.7% of total deposits.<sup>5</sup>

The Winona County assessment area consists of three middle-income census tracts located in the western half of Winona County. At the previous examination, the bank’s Rochester MSA assessment area included one tract in Winona County. After the bank’s acquisition of Altura State Bank, Altura, Minnesota, in 2016, bank management established a new assessment area in Winona County. The population of the assessment area is 16,448, according to 2018 FFIEC adjusted census data.

The bank operates one full-service branch in Altura. The branch hours of operations are reasonable, and the bank offers a drive-up facility with extended weekday and Saturday hours.

Table 10 provides information regarding the demographic characteristics of the assessment area based on the 2018 FFIEC adjusted census data.

<b>TABLE 10</b>				
<b>Assessment Area Demographics – Winona County Assessment Area</b>				
<b><i>Income Category</i></b>	<b><i>Tract Distribution</i></b>		<b><i>Percentage of Families by Tract</i></b>	<b><i>Percentage of Families by Income Level</i></b>
	<b><i>#</i></b>	<b><i>%</i></b>		
Low Income	0	0.0	0.0	16.0
Moderate Income	0	0.0	0.0	12.7
Middle Income	3	100.0	100.0	25.7
Upper Income	0	0.0	0.0	45.7
<b>Total</b>	<b>3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

<sup>5</sup> Based on the June 30, 2018, FDIC Deposit Market Share Report. The bank’s Winona County assessment area consists of only three of the 10 census tracts in the county.

## WISCONSIN NONMETROPOLITAN AREA FULL-SCOPE REVIEW

**CRA RATING FOR WISCONSIN:** Satisfactory

### SCOPE OF EVALUATION

Examiners completed a full-scope review of the Wisconsin nonmetropolitan assessment area. Since the bank has only one assessment area in Wisconsin, the state conclusions are supported by this assessment area's performance discussion.

### DESCRIPTION OF THE INSTITUTION'S OPERATIONS IN THE WISCONSIN NONMETROPOLITAN ASSESSMENT AREA

*Bank Information.* The bank operates two branches in the state of Wisconsin. The Menomonie office is located in a middle-income tract and has a cash-dispensing-only ATM. The Boyceville office is also located in a middle-income tract but does not have an ATM. Both locations offer reasonable hours, and both operate drive-up facilities with extended weekday and Saturday hours.

The bank's Wisconsin assessment area has changed slightly since the previous evaluation. At that time, the assessment area included all of Dunn County (eight middle-income census tracts), two middle-income tracts in Barron County, one middle-income tract in Polk County, and one middle-income tract in St. Croix County. Currently, the Wisconsin assessment area consists of Dunn County (eight middle-income tracts) and the same tract in St. Croix County, which is now a moderate-income tract.<sup>6</sup> The bank eliminated the tracts in Barron and Polk counties from the assessment area. The St. Croix County tract is located on the eastern edge of the Minneapolis-St. Paul-Bloomington, MN-WI MSA.

Table 11 shows the demographic characteristics of the assessment area based on the 2018 FFIEC adjusted census data<sup>7</sup> and 2018 Dun & Bradstreet data.

<b>TABLE 11 Assessment Area Demographics</b>								
<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families &lt; Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	2,040	17.4
Moderate Income	1	11.1	1,305	11.1	80	6.1	2,391	20.4
Middle Income	8	88.9	10,413	88.9	776	7.5	2,717	23.2
Upper Income	0	0.0	0	0.0	0	0.0	4,570	39.0
<b>Total Assessment Area</b>	<b>9</b>	<b>100.0</b>	<b>11,718</b>	<b>100.0</b>	<b>856</b>	<b>7.3</b>	<b>11,718</b>	<b>100.0</b>

<sup>6</sup> Based on 2018 FFIEC adjusted census data.

<sup>7</sup> The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data, and it also reflects the Office of Management and Budget's metropolitan statistical area revisions.

<b>TABLE 11</b>								
<b>Assessment Area Demographics</b>								
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	1,862	1,437	11.5	77.2	320	17.2	105	5.6
Middle Income	18,072	11,111	88.5	61.5	5,330	29.5	1,631	9.0
Upper Income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>19,934</b>	<b>12,548</b>	<b>100.0</b>	<b>62.9</b>	<b>5,650</b>	<b>28.3</b>	<b>1,736</b>	<b>8.7</b>
<i>Income Categories</i>	<i>Total Businesses by Tract</i>	<i>Businesses by Tract and Revenue Size</i>						
		<i>≤ \$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>		
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	200	11.9	184	12.2	11	8.1	5	16.7
Middle Income	1,480	88.1	1,330	87.8	125	91.9	25	83.3
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,680</b>	<b>100.0</b>	<b>1,514</b>	<b>100.0</b>	<b>136</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>90.1</b>		<b>8.1</b>		<b>1.8</b>
<i>Income Categories</i>	<i>Total Farms by Tract</i>	<i>Farms by Tract and Revenue Size</i>						
		<i>≤ \$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>		
		<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	59	17.5	58	17.8	1	9.1	0	0.0
Middle Income	278	82.5	267	82.2	10	90.9	1	100
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>337</b>	<b>100.0</b>	<b>325</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>
<b>Percentage of Total Farms:</b>				<b>96.4</b>		<b>3.3</b>		<b>0.3</b>

*Income.* For the purposes of classifying borrower income for the HMDA analysis, this evaluation uses the FFIEC’s estimated median family income for the relevant area. For borrowers in the nonmetropolitan areas of Wisconsin, the figure was \$60,200 for 2016 and \$62,600 for 2017. For borrowers in the Minneapolis-St. Paul-Bloomington MSA, the figure was \$85,200 for 2016 and \$89,800 for 2017. For purposes of classifying census tracts by income level, this evaluation uses the FFIEC adjusted census data median family income for nonmetropolitan and metropolitan areas. For nonmetropolitan Wisconsin, the figure was \$57,005 for 2016 and \$60,911 for 2017 and 2018. For the Minneapolis-St. Paul-Bloomington MSA, the figure was \$79,301 for 2016 and \$85,636 for 2017 and 2018.

*Population.* According to the 2018 FFIEC adjusted census data, the population of this assessment area is 48,788. A large portion of residents in this assessment area resides in Menomonie, which is the county seat of Dunn County. Approximately 47.5% of residents are between the ages of 25 and 64 years old. The census data also indicates that 13.1% of the households in the assessment area are below the poverty level.

*Economy.* Bank management and a community contact indicated that the economy in the assessment area is stable and includes diverse businesses. Menomonie is the largest city in the area and a hub for the local economy. The city is home to a number of major employers in manufacturing, education, and retail. A community contact stated that agriculture is not a major industry in the area, but there are still some small

local dairy and grain operations. The majority of communities in the area have residents who work in Menomonie and Eau Claire, Wisconsin, or Minneapolis/St. Paul, Minnesota.

Manufacturing provides a large number of jobs in the area. 3M operates a large facility in Dunn County and is one of the largest employers in the county. Window production and distribution is also a major industry in the area. Multiple companies use material from the local sand mining operation to produce glass and window products. Menomonie is also host to a number of small factories that produce a variety of things from household goods to animal health and nutrition products. Shipping is another major industry for Dunn County. Menomonie is situated at the intersection of several major highways in the area, which makes it an ideal location for companies, such as Walmart, to operate shipping facilities.

The University of Wisconsin – Stout campus is another large employer in the area, with an estimated 1,400 employees. The college boasts a large student body and a number of programs that are specialized for employment opportunities in the area. In addition, the university hosts a service that assists local businesses in growing their businesses and leveraging new technologies to stay competitive.

*Housing.* A community contact indicated that housing in the assessment area can be quite costly, and availability is low. Rental housing has been slow to develop in Menomonie due to costs, and many residents are unable to find affordable rental housing. As housing costs and the cost of living in the larger cities outside of Dunn County continue to grow, many homebuyers are moving into Dunn County for what was previously more affordable options. However, this influx of homebuyers has put a strain on the local housing market; housing is becoming scarce and more expensive in the assessment area.

The community contact did not identify any unmet credit needs in the assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA IN THE WISCONSIN NONMETROPOLITAN ASSESSMENT AREA**

The bank effectively meets the credit needs of the Wisconsin assessment area. Overall, the bank's lending to low- and moderate-income borrowers and to small businesses is reasonable. Further, the geographic distribution of loans is reasonable and does not reveal any unexplained gaps in lending.

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

The bank's lending to borrowers of different income levels and to businesses of different sizes in the Wisconsin assessment area is reasonable.

*Small Business Lending.* The bank's small business lending in the assessment area is reasonable. Table 12 shows the bank's small business lending activity in the Wisconsin assessment area.

<b>Table 12 Small Business Lending Wisconsin Assessment Area</b>				
<i>Small Business Loans</i>	<i>≤ \$100,000</i>	<i>&gt; \$100,000 to ≤ \$250,000</i>	<i>&gt; \$250,000 to ≤ \$1,000,000</i>	<i>Total Originations</i>
Percentage of All Small Business Loans	81.3%	12.5%	6.3%	100.0%
Percentage of Loans to Businesses with Revenues of \$1 Million or Less	81.5%	14.8%	3.7%	84.4%

The bank originated 84.4% of its small business loans to businesses with gross annual revenues of \$1 million or less. The bank’s lending is below demographics, which indicate that 90.1% of businesses in the assessment area are small businesses. Bank management indicated that Menomonie is primarily a commercial hub and, therefore, loan demand often comes from larger commercial businesses. Nevertheless, the bank originated a majority of loans to small businesses. The bank also made a significant percentage of its business loans in amounts of \$100,000 or less. This shows the bank’s willingness to meet the credit needs of smaller entities in the assessment area.

*Residential Real Estate Lending.* The bank’s HMDA lending to low- and moderate-income borrowers in the assessment area is reasonable. Table 13 shows the bank’s HMDA activity in the Wisconsin assessment area.

<b>Table 13 HMDA Lending Wisconsin Assessment Area</b>										
<b>2016 HMDA Loans by Income Level of Borrower</b>										
<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	1	3.7	10	37.0	6	22.2	9	33.3	1	3.7
Refinance	2	10.0	1	5.0	10	50.0	7	35.0	0	0.0
Home Improvement	0	0.0	0	0.0	2	66.7	1	33.3	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total 2016 HMDA Loans</b>	<b>3</b>	<b>6.0</b>	<b>11</b>	<b>22.0</b>	<b>18</b>	<b>36.0</b>	<b>17</b>	<b>34.0</b>	<b>1</b>	<b>2.0</b>
<b>2017 HMDA Loans by Income Level of Borrower</b>										
<i>Loan Type</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	0	0.0	1	4.3	5	21.7	13	56.5	4	17.4
Refinance	2	12.5	3	18.8	4	25.0	6	37.5	1	6.3
Home Improvement	0	0.0	2	28.6	1	14.3	3	42.9	1	14.3
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total 2017 HMDA Loans</b>	<b>2</b>	<b>4.3</b>	<b>6</b>	<b>13.0</b>	<b>10</b>	<b>21.7</b>	<b>22</b>	<b>47.8</b>	<b>6</b>	<b>13.0</b>

The bank is an active residential real estate lender in the Wisconsin assessment area. However, competition for mortgage loans in the assessment area is strong and includes large credit unions and large

national and regional banks. The top five lenders reporting HMDA loans in the assessment area captured 50.0% of loans reported in 2016 and 47.4% in 2017.<sup>8</sup>

In 2016, the bank's lending to low- and moderate-income borrowers was reasonable. The bank made 6.0% of HMDA loans to low-income borrowers. The bank's lending is below demographics, which indicates that 16.8% of families in the assessment area are low-income, but comparable to aggregate lenders, which made 5.2% of HMDA loans to low-income borrowers. The bank originated 22.0% of its HMDA loans to moderate-income borrowers, which is slightly higher than demographics (at 18.8%) and aggregate performance at (18.0%). Of note is the bank's 2016 home purchase lending to moderate-income borrowers (at 37.0%), which significantly exceeded demographics and aggregate lenders' performance (at 22.5%).

In 2017, the bank's lending to low- and moderate-income borrowers was also reasonable. The bank made 4.3% of HMDA loans to low-income families. The bank's lending is below demographics, at 17.4%, and below aggregate lenders, which made 7.0% of HMDA loans to low-income borrowers. The bank originated 13.0% of its HMDA loans to moderate-income borrowers, which is also below demographics, at 20.4%, and below aggregate lenders, which originated 21.7% of HMDA loans to moderate-income borrowers.

Bank management stated that loan competition is high in the assessment area. In addition, a community contact stated that housing costs in the area have been increasing, due in part to increasing demand. The contact indicated that many lower-income families in the area are not able to afford the rising cost of homeownership. The median sales price of homes in Dunn County in 2017 was \$130,000,<sup>9</sup> which may not be affordable for many low- and moderate-income families in the assessment area, given that the median family income in Dunn County is \$62,300.

Overall, the bank's HMDA lending to low- and moderate-income borrowers is reasonable, given the performance context.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution and dispersion of the bank's loans is reasonable and does not reveal any unexplained gaps in lending. In 2016, the assessment area consisted of nine middle-income census tracts. In 2017, the income classification of the tract in St. Croix County changed from middle- to moderate-income.

*Small Business Lending.* The geographic distribution of the bank's small business loans is reasonable. The bank did not originate any small business loans in the moderate-income census tract. According to 2018 Dun & Bradstreet data, 11.9% of the businesses in the assessment area are located in the moderate-income census tract. The bank's lack of lending here is reasonable because this tract is in the Minneapolis-St. Paul MSA; competition increases closer to the MSA. In addition, communities in the moderate-income tract have banking options that are likely more convenient for borrowers located in the area. Of the middle-income tracts, the bank made small business loans in all but one. The university campus is located here, as are branches of several large national and regional banks.

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<sup>8</sup> Because small financial institutions are not required to report the location of loans in the non-MSA portion of the assessment area, the bank's rank relative to other HMDA lenders is unknown.

<sup>9</sup> According to the U.S. Department of Housing and Urban Development.

*Residential Real Estate Lending.* The geographic distribution of the bank's HMDA loans is reasonable. In 2016, the bank's assessment area did not contain any low- or moderate-income census tracts. Therefore, analysis of the geographic distribution of HMDA loans in 2016 is not meaningful. In 2017, the bank originated HMDA loans in all census tracts in the assessment area. The bank's lending in the moderate-income tract (at 13.0%) is comparable to aggregate lenders (at 12.0%) and slightly exceeds demographics, which indicates that 11.1% of assessment area families reside in the tract. As mentioned, competition for HMDA loans is strong in the assessment area. The dispersion of the bank's HMDA loans throughout the assessment area is reasonable.

## Appendix A

### Glossary of Common CRA Terms

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income census tracts, designated disaster areas, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and census tracts.

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. It does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Distressed nonmetropolitan middle-income census tract:** A middle-income, nonmetropolitan census tract will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Full-scope review:** Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).



**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (i.e., approved, denied, or withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

**Low income:** Individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

**Metropolitan statistical area (MSA):** An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle income:** Individual income that is at least 80 percent and less than 120 percent of the area median income or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate income:** Individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate MSA. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate MSA, the institution will receive a rating for the multistate metropolitan area.

**Small loan to business:** A loan included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

**Small loan to farm:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income census tract:** A middle-income, nonmetropolitan census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper income:** Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)