



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

March 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Martin County National Bank
Charter Number 5423**

**105 Lake Avenue
Fairmont, Minnesota 56031**

**Office of the Comptroller of the Currency
Post Office Box 1405
Sioux Falls, South Dakota 57101**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low-income and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Martin County National Bank, Fairmont, Minnesota**, prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of March 2, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The bank's overall lending level is reasonable, given the institution's size, financial condition, and credit needs of the assessment area. A majority of the bank's loans are within its CRA assessment area and the distribution of borrowers shows penetration among low-income and moderate-income individuals and small businesses and farms.

DESCRIPTION OF INSTITUTION

Martin County National Bank is a \$127 million bank located in Fairmont, Minnesota. Fairmont is the Martin County Seat and located in south central Minnesota. It has a population of approximately 11,000 and is the largest community in Martin County. In addition to the bank office and adjoining drive-up ATM, the bank operates an ATM at a local grocery store.

The bank's credit products focus on agriculture, other small business, and residential and consumer lending. As of December 31, 1997, the loan portfolio breakdown *by dollar volume* was 54% agricultural/agricultural real estate, 28% commercial/commercial real estate, 9% residential real estate, and 9% consumer. These percentages are comparable to the other banks chartered in Martin County as well as other banks in the surrounding nine county region.

The bank's financial condition, asset size, and product offerings do not limit its ability to meet the community's credit needs. Individuals can refer to the bank's CRA Public File for a list of the specific products and services available from the bank.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area is all of Martin County. This assessment area consists of six Block Numbering Areas (BNAs), all of which are middle-income. None of these BNAs are in a Metropolitan Statistical Area. Refer to the Public File for a map detailing the assessment area. Martin County had a 1990 census population of approximately 23,000 which has remained fairly stable.

Local economic conditions revolve around agriculture and agribusiness. Martin County is one of the region's leading swine producing counties. In Fairmont itself, the largest employers include some small and medium sized manufacturing firms as well as a food processor. Local government, education, and health care provide most of the remaining employment opportunities.

Aside from agriculture, the perceived primary credit needs of the bank's assessment area are small business and residential real estate. Several other banks are located in the other communities in Martin County. Within the community of Fairmont, five other banks, a mortgage company, and the local Consolidated Farm Services Agency office offer strong competition.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Analysis

The bank's overall lending is satisfactory and reflects a reasonable response to its assessment area credit needs. Its December 31, 1997 loan to deposit ratio is 72%. This is comparable to the average ratio of 74% from the other banks in Martin County as well as the surrounding nine county region. This bank's ratio has been fairly stable as the average ratio over the last three years is 69%.

Lending in Assessment Areas

A majority of the bank’s loan originations are to borrowers within its CRA assessment area. Examiners sampled 20 consumer/residential real estate loans and 20 commercial/agricultural loans. We found that overall, 19 of each, or 95% of the number of loans were to borrowers residing within Martin County.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank’s lending shows penetration among individuals of different income levels and farms and businesses of different sizes. The 1997 Minnesota statewide nonmetropolitan median *family* income is \$38,400. HUD prepared information for Martin County in 1997 shows that low-income and moderate-income *families* represent a combined 35% of the total number of families. This information also shows that 75% of business and farms had gross annual revenues less than \$1 million.

Examiners again reviewed the 19 consumer/residential real estate loans and 19 commercial/agricultural loans from within Martin County mentioned above. We then found that 53% of the number of consumer loans sampled were to either low-income or moderate-income individuals and 84% of commercial/agricultural loans were to business or farms with gross annual revenues less than \$1 million. The following tables illustrate these findings.

Consumer/Real Estate	# of loan originations	% of total originations	% of families at this income level (HUD)
low-income	6	32%	17%
moderate-income	4	21%	18%
middle-income	6	32%	27%
upper-income	3	16%	38%
TOTAL	19	100%	100%

Commercial/Agricultural	# of loan originations	% of total originations
gross revenues < \$100,000	2	10%
\$100,001 to \$250,000	10	53%
\$250,001 to \$500,000	1	5%
\$500,001 to \$1,000,000	3	16%
> \$1,000,000	3	16%
TOTAL	19	100%

Geographic Distribution of Loans

Examiners did not conduct an analysis of the geographic distribution of loans within the assessment area as all six BNAs in Martin County are middle income. This analysis would be meaningful if the assessment area included low-income and/or moderate-income geographies.

Record of Compliance with Antidiscrimination Laws

Examiners found no substantive violations of the anti-discrimination laws and regulations. The bank has appropriate policies, procedures and training programs in place to prevent discriminatory or other illegal credit practices.

Response to Complaints

No complaints have been received since the last examination.