



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

---

## **PUBLIC DISCLOSURE**

**March 22, 2004**

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

**The Pioneer National Bank of Ladysmith  
Charter Number 11826**

**200 Miner Avenue  
Ladysmith, WI 54848**

**Comptroller of the Currency  
Minneapolis South  
1310 West Clairemont Avenue Suite 100  
Eau Claire, WI 54702**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S CRA RATING**

This institution is rated Satisfactory.

- The bank's average loan-to-deposit ratio is reasonable.
- The bank originates a majority of its loans by number and dollar within its assessment area.
- The bank has a good distribution of credit among commercial borrowers of different sizes and an excellent distribution of credit among agricultural borrowers of different sizes.
- The geographic distribution of commercial and agricultural loans reflects a good dispersion throughout the assessment area.

## **DESCRIPTION OF INSTITUTION**

Pioneer National Bank (Pioneer) was a \$60 million institution as of December 31, 2002. The bank's main office is a full-service facility located in downtown Ladysmith, a city of approximately 3,875 persons. In January 2000, the bank opened a limited service supermarket branch in Ladysmith. The branch is located less than one mile northwest of the main bank. The bank has one deposit-taking automated teller machine (ATM) located at the supermarket branch. The bank offers telephone banking to customers. This service provides customers with 24-hour access to deposit and loan account information.

Pioneer offers traditional loan and deposit products to meet the community's needs. As of December 31, 2002, the bank's net loans totaled 40% of total assets. The bank's primary credit products are commercial and agricultural loans based on the number of originations and origination amounts. The loan portfolio consists of 49% commercial loans, 25% agricultural loans, 18% residential real estate loans, and 8% consumer loans. The bank participates in the Wisconsin Housing and Economic Development Authority's (WHEDA) "First Time Home Buyer's Loan Program," which helps low- and moderate-income families purchase homes. During 2001 and 2002, WHEDA loans generated by the bank totaled \$280,000 and \$160,000, respectively.

Pioneer is 100% owned by Pioneer Acquisition Corp., a one-bank holding company headquartered in Ladysmith, WI. As of December 31, 2002, Pioneer Acquisition Corp. had assets of \$60 million. Pioneer has one wholly owned bank subsidiary, Flambeau Trading Company, located in Nevada. The bank sold its other wholly owned subsidiary, Ladysmith Insurance Agency, in 2001. The bank does not have any affiliate relationships that impact the bank's CRA performance.

Pioneer received a "Satisfactory" rating at its May 24, 1999, CRA examination. This CRA Performance Evaluation assesses the bank's CRA activities from March 31, 1999 through December 31, 2002. There are no financial, legal, or other factors that impede Pioneer's ability to meet its CRA obligations.

## **DESCRIPTION OF ASSESSMENT AREA**

Pioneer's assessment area (AA) includes all of Rusk County, WI, which is divided into five census tracts (CTs). Four CTs are designated moderate-income areas and one CT is designated middle-income. The population of Rusk County per the 1990 Census was 15,079. According to the 2000 U.S. Census Data, the total population of Rusk County has increased 1.8% to 15,347. The bank's AA complies with regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

Based on 1990 census information, 27.64% of the families within the AA are low income, 25.36% moderate income, 23.81% middle income and 23.19% upper income. The 1990 U.S. Census median family income for the AA was \$30,290. Based on the U.S. Department of Housing and Urban Development's 2002 estimate, the updated median family income for the AA is \$50,800.

The 1990 census data indicates that 514 families (13%) in Pioneer's AA are below the poverty level. The 2000 census shows that the number has declined to 332 families (8%). The U.S. Census Bureau indicated that in 1999, 8.7% of persons in Wisconsin were below the poverty level, compared to 12.4% nationwide.

According to the 2000 U.S. Census Data, the median value of owner occupied housing units for the State of Wisconsin was \$112,200. This is considerably higher than Rusk County at \$63,200. In Pioneer's AA, the 1990 census data indicated 54% of the housing units were owner occupied which has increased to 63% per the 2000 census data.

According to the Wisconsin Department of Workforce Development, unemployment levels in the State of Wisconsin as of December 31, 2003 were at 4.8%, compared to 7.1% in Rusk County. The nationwide unemployment rate as of December 31, 2003 was 5.4%. Major employers in the AA include Weather Shield (window & door manufacturing), County of Rusk, Norco Windows (window & door manufacturing), Reinhart Retail Group (supermarkets), Rockwell Automation (relay & industrial control manufacturing), and Artisans (clothing stores), and local school districts.

Bank competition in Pioneer's AA is strong. Including Pioneer, there are six financial institutions, excluding credit unions, with a presence in Rusk County. Asset sizes range from \$31 million to \$2.6 billion. There are twenty-nine additional financial institutions with a presence in the five surrounding counties. According to the June 30, 2003 deposit information from the Federal Deposit Insurance Corporation, Pioneer dominates the market share in Rusk County with 31%. Bank management stated that Internet lending facilities are playing an increasing role in the local market. Local title companies have experienced increased activity through these types of lenders.

In September 2002, Ladysmith and its surrounding areas, in the heart of Rusk County, were devastated by a tornado. Hardest hit was downtown Ladysmith, with many homes and businesses destroyed. Ladysmith was designated a federal disaster area, making federal assistance available. Rusk County also received assistance in the form of low-interest home loans, low rate financing for small businesses, and immediate emergency assistance.

Examiners made one community contact to an economic development organization during this CRA examination. The community contact stated that all area banks expressed a willingness to provide financing. Our contact could not identify any community credit needs that were unmet.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank’s size, financial condition and assessment area credit needs. The bank’s quarterly average loan-to-deposit ratio for the 16 quarters since the previous CRA examination is 52.06%. The loan-to-deposit ratio does not take into account loans sold on the secondary market. Other banks in the assessment area have higher loan-to-deposit ratios. However, these banks have additional branches located in more heavily populated areas.

### Lending in Assessment Area

Based on a sample of 20 commercial loans and 20 agricultural loans, Pioneer originates a majority of its loans to borrowers by number and dollar located within its defined AA. The sample determined that of loans originated from January 2001 through December 2002, 78% by number and 75% by dollar were made to commercial and agricultural borrowers located within the bank’s AA. The following table shows loans originated inside and outside their AA by number and dollar volume:

Lending in Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Commercial	15	75	5	25	20	794,016	75	266,696	25	1,060,712
Agricultural	16	80	4	20	20	322,166	75	106,601	25	428,767
Totals	31	78%	9	22%	40	1,116,182	75%	373,297	25%	1,489,479

Source: Loan Sample

## Lending to Commercial and Agricultural Borrowers of Different Revenue Sizes

Pioneer has a good distribution of credit among businesses of different revenue sizes. Commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to more than a million dollars. Pioneer originated 285 commercial loans totaling \$14.3 million between January 1, 2001 and December 31, 2002. The largest number of loans in the assessment area was originated to small businesses with less than \$250,000 in annual revenues. Examiners sampled 20 loans to commercial and commercial real estate borrowers originated in the assessment area from January 1, 2001 through December 31, 2002. The following table compares the bank's commercial lending activity by revenue size to assessment area demographics:

Borrower Distribution of Commercial Loans by Revenue Size			
Annual Gross Revenue	Number	% of Number	Business Demographics
<50,000	6	30%	94%
50,000-100,000	3	15%	
100,000-250,000	4	20%	
250,000-500,000	2	10%	
500,000-1,000,000	2	10%	
>1,000,000	3	15%	6%
<b>Totals</b>	20	100%	100%

Source: 2002 Dunn & Bradstreet

Pioneer has an excellent distribution of credit among agricultural borrowers of different revenue sizes. Lending activity exceeds community demographics. Pioneer originated 171 agricultural loans totaling \$7.9 million between January 1, 2001 and December 31, 2002. The largest number of loans was originated to farms with annual revenues less than \$1 million. Examiners sampled 20 agricultural and agricultural real estate loans originated in the assessment area from January 1, 2001 to December 31, 2002. The following table compares the bank's agricultural lending activity by revenue size to assessment area demographics.

Borrower Distribution of Agricultural Loans by Revenue Size			
Annual Gross Revenue	Number	% of Number	Agricultural Demographics
< \$1 million	20	100%	99%
> \$1 million	0	0%	1%
<b>Totals</b>	20	100%	100%

Source: 2002 Dunn & Bradstreet

We did not perform a review of Pioneer’s residential real estate or consumer lending activity by borrower income, as these are not considered primary products. Pioneer originated 113 residential real estate loans totaling \$4 million between January 1, 2001 and December 31, 2002. Pioneer originated 314 consumer loans totaling \$2 million during the same period of time.

## Geographic Distribution of Loans

The geographic distribution of commercial loans reflects a good dispersion through the AA and geographic distribution of agricultural loans reflects an excellent dispersion throughout the AA. All of Pioneer’s bank locations are located in one moderate-income census tract. However, a random sample of files selected indicates that Pioneer is lending to business and agricultural borrowers in the moderate income census tracts within their AA. The following tables reflect the demographics of the area to the bank’s actual lending, based on a random sample of 20 commercial loans and 20 agricultural loans.

Geographic Distribution of Loans to Businesses and Farms in Assessment Area								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	0%		80%		20%		0%	
Loan Type	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans
Commercial	0.00%	0.00%	83%	75%	17%	25%	0%	0%
Agricultural	0.00%	0.00%	76%	75%	24%	25%	0%	0%

Source: 2002 Dunn & Bradstreet data

## Responses to Complaints

Pioneer has not received any complaints about its performance in helping meet assessment area credit needs during this evaluation period.

## Fair Lending Review

We found no evidence of illegal discrimination or other illegal credit practices.