

# **PUBLIC DISCLOSURE**

December 31, 2003

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Thrivent Financial Bank  
2000 East Milestone Drive  
Appleton, WI 54919  
Docket No.: 15054**

**Office of Thrift Supervision  
Midwest Region  
225 E. John Carpenter Freeway, Suite 500  
Irving, TX 75062-2326**

**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.**



## Office of Thrift Supervision

Department of the Treasury

*Midwest Region*

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March 1, 2004

Board of Directors  
Thrivent Financial Bank  
2000 East Milestone Drive  
Appleton, WI 54919

OTS No. 15054

Members of the Board:

Enclosed is your institution's first written Community Reinvestment Act (CRA) Performance Evaluation prepared by the Office of Thrift Supervision as of December 31, 2003. Pursuant to the provisions of the CRA and OTS regulations (12 C.F.R. 563e), this evaluation, and your institution's CRA rating as contained therein, must be made available to the public by your institution.

In accordance with 12 C.F.R. 563e, this written CRA Performance Evaluation must be made available to the public within 30 business days of its receipt by your institution. The evaluation must be placed in your CRA public file located at your home office and each branch within this 30-business-day time frame. The evaluation may not be altered or abridged in any manner. At your discretion, previous written CRA Performance Evaluation(s) may be retained with the most recent evaluation in your CRA public file.

Your institution is invited to prepare a response to the evaluation. The response may be placed in each CRA public file along with the evaluation. In the event your institution elects to prepare such a response, please forward a copy of it to this office.

All appropriate personnel, particularly customer contact personnel, need to be aware of the responsibilities that the institution has to the public with regard to making this evaluation available. Consequently, we suggest that your institution review internal procedures for handling CRA inquiries, including those pertaining to the evaluation and other contents of the CRA public file.

We strongly encourage the Board of Directors, senior management, and other appropriate personnel to review this document and to take an active interest and role in the CRA activities of your institution.

Sincerely,

Gary A. Scott  
Assistant Director

Enclosure

bcc: FDIC, Chicago  
Lawrence, FM  
Dunn, OE  
Yen, RCE  
EX File – 15054  
Exam File  
Chron File

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## **General Information**

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

This document is an evaluation of the CRA performance of Thrivent Financial Bank prepared by the Office of Thrift Supervision (OTS), the institution's supervisory agency, as of December 31, 2003. The agency evaluates performance in assessment areas, as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 563e.

## **Institution**

### **Overall Rating**

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

During the review period of January 1, 2002 through September 30, 2003 (review period), Thrivent Financial Bank (Thrivent) originated or purchased 2,783 mortgage-related loans totaling \$256.8 million, of which 1,185 loans (42.6 percent) totaling \$103.8 million were within the institution's two assessment areas. The loan-to-deposit ratio was very reasonable during the review period, which ranged from 70 percent to 106 percent with an average of 92 percent.

Although the overall lending performance is satisfactory in both assessment areas, the institution's level of lending to low-income families is low in the Minneapolis-St. Paul metropolitan statistical area (MSA) in comparison with other area lenders. During 2002, Thrivent did not originate any loan in low- and moderate-income (LMI) areas in the Appleton-Oshkosh-Neenah MSA.

Thrivent made considerable donations to many agencies or organizations whose primary purpose is to serve the needs of LMI families. Additionally, many employees volunteered their time to serve in several of those organizations.

This CRA evaluation was performed using small institution examination procedures as Thrivent's total assets were under \$250 million as of December 31, 2001. The next CRA evaluation will be performed using large institution examination procedures, consisting of lending, investment and service tests.

### **Description of Institution**

Thrivent is a thrift institution with its main office located in Appleton, Wisconsin. The institution was formerly a trust-only institution known as AAL Trust Company, FSB (AAL Trust). In April of 2001, the OTS approved AAL Trust's application to become a full-service thrift and changed the name to AAL Bank and Trust, FSB (AAL Bank). In July of 2001, AAL Bank purchased the assets of two AAL credit unions. On January 1, 2002, AAL Bank's parent holding company, Aid Association for Lutherans, acquired LB Community Bank and Trust, fsb, a subsidiary of Lutheran Brotherhood, that was merged into AAL Bank. On July 1, 2002, AAL Bank changed the name to Thrivent Financial Bank, and its holding company's name was changed to Thrivent Financial Holdings, Inc.

The institution is a nationwide lender, and its primary lending program consists of construction and permanent loans secured by 1-4 family dwellings, multi-family dwellings, and commercial buildings.

***Institution (continued)***

Other types of loan programs include home improvement, home equity, and secured and unsecured consumer loans.

As of September 30, 2003, Thrivent had total assets of \$365.2 million. The majority of the asset portfolio was composed of mortgage loans (43 percent), non-mortgage loans (17 percent), and cash and investment securities (13 percent).

No legal or economic impediments exist which would inhibit the institution's ability to meet the credit needs of its assessment areas.

**Description of Assessment Areas**

For CRA purposes, the institution has designated two assessment areas: Appleton-Oshkosh-Neenah MSA, and Minneapolis-St. Paul MSA.

Appleton-Oshkosh-Neenah MSA

Appleton-Oshkosh-Neenah MSA consists of Calumet, Outagamie, and Winnebago Counties, Wisconsin. There are numerous financial institutions competing for products and services in this area, both local and non-local institutions. The demographics of this area changed significantly from the 1990 Census to the 2000 Census, as shown below:

***Institution (continued)***

	1990 Census	2000 Census
Number of Families:	83,410	93,545
Number of Residents:	315,121	358,365
Family Demographics:		
Low-Income Families	15%	15%
Moderate-Income Families	19%	20%
Middle-Income Families	30%	29%
Upper-Income Families	36%	36%
Tract Income Characteristics:		
%/# of Low-Income Tracts	1%/1	
%/# of Moderate-Income Tracts	10%/8	15%/12
%/# of Middle-Income Tracts	79%/66	79%/63
%/# of Upper-Income Tracts	7%/6	6%/5
%/# of NA	4%/3	
Total # of Tracts	84	80

For the borrower and geographic distribution analyses of the lending activities for the year of 2002, the 1990 Census data was used, while the 2000 Census data was used for the year of 2003.

The weighted averages of the HUD updated median family income shown in the table below were used for the years in the review period.

	Appleton-Oshkosh-Neenah MSA
2002	\$61,900
2003	\$61,700

Major employment groups include services, retail trade, finance/insurance, wholesale trade, and transportation/utilities.

Minneapolis-St. Paul MSA

This assessment area consists of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Ramsey, Scott, Sherburne, Washington, and Wright Counties. There are numerous financial institutions competing



***Institution (continued)***

for products and services in this area, both local and non-local institutions. The demographics of this area changed significantly from the 1990 Census to the 2000 Census, as shown below:

	1990 Census	2000 Census
Number of Families:	632,062	723,128
Number of Residents:	2,455,818	2,868,847
Family Demographics:		
Low-Income Families	17%	17%
Moderate-Income Families	18%	19%
Middle-Income Families	28%	26%
Upper-Income Families	37%	38%
Tract Income Characteristics:		
%/# of Low-Income Tracts	8%/52	6%/47
%/# of Moderate-Income Tracts	16%/104	21%/153
%/# of Middle-Income Tracts	55%/351	49%/355
%/# of Upper-Income Tracts	19%/123	23%/168
%/# of NA	2%/10	1%/5
Total # of Tracts	640	728

For the borrower and geographic distribution analyses of the lending activities for the year of 2002, the 1990 Census data was used, while the 2000 Census data was used for the year of 2003.

The weighted averages of the HUD updated median family income shown in the table below were used for the years in the review period.

	Minneapolis-St. Paul MA
2002	\$76,700
2003	\$75,300

Major employment groups include services, retail trade, finance/insurance, wholesale trade, and transportation/utilities.

***Institution (continued)***

**Conclusions with Respect to Performance Tests**

During the review period, Thrivent originated or purchased 2,783 mortgage-related loans totaling \$256.8 million, of which 1,185 loans (42.6 percent) totaling \$103.8 million were within the institution’s assessment areas. This percentage of concentration of loans within assessment areas is acceptable in view that the institution is a nationwide lender. Of the total number of loans within the assessment areas, 325 loans (27 percent) were in the Appleton-Oshkosh-Neenah MSA, while the remaining 860 loans (73 percent) were in the Minneapolis-St. Paul MSA. The loan-to-deposit ratio was very reasonable during the review period, which ranged from 70 percent to 106 percent with an average of 92 percent.

Appleton-Oshkosh-Neenah MSA

The overall lending to LMI individuals and families in this assessment is reasonable and generally comparable to that of other area lenders. In 2002, the institution was the 37<sup>th</sup> lender by volume among 309 mortgage-related financial institutions, capturing approximately 0.6 percent of the market. The following chart compares Thrivent’s record of lending to families of various income levels to the record of other area lenders and to area demographics:

Description (Number of Loans)	Borrower Income Characteristics				
	Low-Income	Moderate-Income	Middle-Income	Upper-Income	N/A
Family Demographics*	15%	19%	30%	36%	
Family Demographics**	15%	20%	29%	36%	
Thrivent – 2002 (214)	6%	19%	28%	44%	3%
Thrivent – 2003 (111)***	12%	16%	30%	40%	2%
HMDA Lenders – 2002(38,656)****	7%	21%	30%	30%	12%

- \* Based on 1990 Census data.
- \*\* Based on 2000 Census data.
- \*\*\* Nine-month period ended September 30, 2003.
- \*\*\*\* Most recent data available.

The overall geographic distribution of mortgage-related loans is low in comparison with that of other area lenders. The institution did not originate any loan in LMI tracts during 2002. The following chart compares Thrivent’s record of lending in various geographies to the record of other area lenders and to area demographics:

***Institution (continued)***

	Tract Income Characteristics				
	Low-Income	Moderate-Income	Middle-Income	Upper-Income	NA
Area Demographics*	1%	10%	79%	7%	4%
Area Demographics**		15%	79%	6%	
Thrivent – 2002			87%	13%	
Thrivent – 2003***		2%	86%	12%	
HMDA Lenders – 2002****	(-)	3%	82%	15%	

- \* Based on 1990 Census data.
- \*\* Based on 2000 Census data.
- \*\*\* Nine-month period ended September 30, 2003.
- \*\*\*\* Most recent data available.
- (-) Less than 0.5 percent.

Community Development Lending

During the review period, Thrivent granted \$1.1 million in loans to low-income individuals or families with the assistance from non-profit organizations or agencies that were established to assist LMI individuals or families with down payment and closing costs.

- Appleton Housing Authority DOORS Homebuyer Program – Thrivent received a \$60,000 Affordable Housing Program subsidy in support of the DOORS Homebuyer Program. The subsidy assisted the low-income homebuyers with down payment and closing cost assistance. Thrivent granted loans totaling \$1.0 million under this program.
- Housing Partnership of the Fox Cities – In conjunction with the receipt of a \$50,000 grant from the Federal Home Loan Bank under its Affordable Housing Program, the institution extended a \$100,000 line of credit to the Housing Partnership for the construction of a 10-unit rental complex that will be available to low-income individuals or families in the Fox Valley area.

Qualifying Investments

During the review period, Thrivent made qualifying investments totaling \$108,366 to many organizations that primarily serve the needs of LMI individuals or families, including the following:

- St. Joseph’s Food Pantry – provides non-perishable food items to the needy.
- Habitat for Humanity – construction of affordable housing for LMI families.
- Leaven – provides emergency financial and referral services to LMI families.

### ***Institution (continued)***

- Housing Partnership of the Fox Cities – provides affordable housing to LMI families.
- Community Clothes Closet – provides clothing, bedding, and linen to LMI families.
- Bethel Foundation of Oshkosh – provides housing and health care to LMI individuals seeking care at Bethel’s nursing home facility.
- Rebuilding Together – rehabilitates houses of LMI homeowners, particularly the elderly, disabled, and families with children.
- AMC Healing Hearts Fund – assists individuals with limited resources to continue cardiac rehabilitation.
- Fox Valley Emergency Shelter – provides housing, food, mental health counseling, and individualized planning and goal setting to homeless individuals.

Thrivent established the Charitable Credit Card Program in July of 2002. This program allows current and future MasterCard® account holders the opportunity to rebate a percentage of the net purchases they make to any of the pre-selected organizations, including, in part, America’s Second Harvest, St. Joseph’s Food Pantry, Children’s Miracle Network, and Basket of Hope.

### Community Services

Many employees have devoted numerous hours to the communities within the institution’s defined assessment area by volunteering to participate with the following agencies or organizations:

- Habitat for Humanity
- Housing Partnership of the Fox Cities
- Salvation Army
- Outagamie County Social Services
- Outagamie County Housing Authority
- Emergency Shelter

### Minneapolis-St. Paul MSA

The overall lending to LMI individuals and families in this assessment is reasonable; however, the lending level to low-income families is lower than that of other area lenders. In 2002, the institution was the 94<sup>th</sup> lender by volume among 661 mortgage-related financial institutions, capturing approximately 0.1 percent of the market. The following chart compares Thrivent’s record of lending to families of various income levels to the record of other area lenders and to area demographics:

**Institution (continued)**

Description (Number of Loans)	Borrower Income Characteristics				
	Low-Income	Moderate-Income	Middle-Income	Upper-Income	N/A
Family Demographics*	17%	18%	28%	37%	
Family Demographics**	17%	19%	26%	38%	
Thrivent – 2002 (422)	7%	27%	37%	28%	1%
Thrivent – 2003 (438)***	6%	25%	32%	37%	(-)
HMDA Lenders – 2002(331,510)****	11%	25%	26%	24%	14%

- \* Based on 1990 Census data.
- \*\* Based on 2000 Census data.
- \*\*\* Nine-month period ended September 30, 2003.
- \*\*\*\* Most recent data available.
- (-) Less than 0.5 percent.

The overall geographic distribution of mortgage-related loans is also reasonable in comparison with that of other area lenders. The following chart compares Thrivent’s record of lending in various geographies to the record of other area lenders and to area demographics:

	Tract Income Characteristics				
	Low-Income	Moderate-Income	Middle-Income	Upper-Income	NA
Area Demographics*	8%	16%	55%	19%	2%
Area Demographics**	6%	21%	49%	23%	1%
Thrivent – 2002	1%	8%	66%	25%	
Thrivent – 2003***	1%	11%	57%	31%	
HMDA Lenders – 2002****	2%	9%	63%	26%	

- \* Based on 1990 Census data.
- \*\* Based on 2000 Census data.
- \*\*\* Nine-month period ended September 30, 2003.
- \*\*\*\* Most recent data available.

No violations of substantive provisions of the antidiscrimination laws and regulations were noted.

## ***CRA Rating Definitions***

There are four separate and distinct CRA assessment methods set forth in the CRA: the lending, investment, and service tests for large, retail institutions; the streamlined examination method for small institutions; the community development test for wholesale and limited purpose institutions; and the strategic plan option for all institutions. OTS will assign an institution one of the four assigned ratings required by Section 807 of the CRA:

1. "Outstanding record of meeting community credit needs."
2. "Satisfactory record of meeting community credit needs."
3. "Needs to improve record of meeting community credit needs."
4. "Substantial noncompliance in meeting community credit needs."

OTS judges an institution's performance under the test and standards in the rule in the context of information about the institution, its community, its competitors, and its peers. Among the factors to evaluate in an examination are the economic and demographic characteristics of the assessment area(s); the lending, investment, and service opportunities in the assessment area(s); the institution's product offerings and business strategy; the institution's capacity and constraints; the prior performance of the institution; in appropriate circumstances, the performance of a similarly situated institution; and other relevant information. An institution's performance need not fit each aspect of a particular rating profile in order to receive that rating, and exceptionally strong performance with respect to some aspects may compensate for weak performance in others. The institution's overall performance, however, must be consistent with safe and sound banking practices and generally with the appropriate rating profile. In addition, OTS adjusts the evaluation of an institution's performance under the applicable assessment method in accordance with §563e.21 and §563e.28, which provide for adjustments on the basis of evidence of discriminatory or other illegal credit practices.