



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**January 12, 2004**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Anchor Bank National Association  
Charter Number 15659**

**1055 Wayzata Boulevard East  
Wayzata, MN 55391**

**Comptroller of the Currency  
Minneapolis South  
920 Second Avenue South Suite 800  
Minneapolis, MN 55402**

**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 reasonable distribution of credit among commercial borrowers of different sizes and an excellent distribution of credit among residential real estate borrowers of different income levels.
- The geographic distribution of commercial and residential real estate loans reflect a good dispersion throughout the assessment area.

## **DESCRIPTION OF INSTITUTION**

Anchor Bank National Association (Anchor) was a \$296 million institution as of December 31, 2002. Anchor has their main office located in Wayzata, Minnesota, approximately 11 miles west of Minneapolis. They have a branch 7 miles northeast of the main bank in Plymouth, Minnesota and another branch 11 miles southeast of the main bank in Eden Prairie, Minnesota. All bank locations are in Hennepin County. The bank offers telephone and Internet banking to its customers. This service provides customers with 24-hour access to deposit and loan account information. It also allows customers to make transfers between accounts. Anchor has four ATMs, three of which accept deposits. The deposit-taking ATMs are located at each bank location and there is an additional withdrawal-only ATM located at a shopping center in Wayzata.

Anchor offers a wide range of loan and deposit products which are designed to meet the community's needs. As of December 31, 2002, the bank's \$159 million loan portfolio consisted of 76% commercial loans, 18% residential real estate loans and 6% consumer loans. As of December 31, 2002, net loans made up 53% of total assets. The bank's primary lending focus is commercial and residential real estate loans.

Anchor Bancorp, Inc. is a five-bank holding company that owns Anchor Bank National Association. The other four Anchor Bank charters are located in St. Paul, Farmington, North St. Paul and West St. Paul, Minnesota. As of December 31, 2002, Anchor Bancorp, Inc. had assets of \$908 million. The bank does not have any affiliate relationships that impact the bank's CRA performance.

There are no financial, legal or other factors that impede Anchor's ability to meet its CRA obligations. The bank's last CRA rating was a "Satisfactory Record of Meeting Community Credit Needs" dated August 16, 1999.

## **DESCRIPTION OF ASSESSMENT AREA**

Anchor's assessment area (AA) includes 96 census tracts (CTs) located in western Hennepin County and three CTs located in the northeastern portion of Carver County. Both Hennepin and Carver counties are part of the Minneapolis-St. Paul Metropolitan Statistical Area (MSA). Based on the 1990 census data, 3 of Anchor's AA CTs are moderate-income (3%), 47 CTs are middle-income (47%) and 49 CTs are upper-income (49%). The Hennepin County CTs represent 32.76% of the CTs in the county and includes 40.41% of the persons living in the county. Although Hennepin County has 37 low-income CTs, there are no low-income CTs located within Anchor's defined AA and none bordering their AA. The low-income CTs in Hennepin County are located on the eastern side of the county. There are no low- or moderate-income CTs in Carver County. Anchor's AA complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income geographies.

Based on 1990 census information, 9.98% of the families within this AA are low income, 14.35% moderate income, 24.94% middle income and 50.73% upper income. The 1990 census median family income for the AA was \$43,063. Based on the Department of Housing and Urban Development's 2002 estimate, the updated median family income for the AA is \$76,700.

The 1990 census data indicates that 6,821 households (4%) are below the poverty level. The 2000 census indicates that 7,041 households (3%) are below the poverty level. The Census Bureau indicated that in 1999, 7.9% of persons in Minnesota were below the poverty level, compared to 12.4% nation-wide. The same data indicated that 8.3% and 3.5% of persons in Hennepin and Carver Counties, respectively, are below poverty level.

The Census Bureau indicates the population of the AA has increased 28% from 1990 to 2000. The increase for all of Hennepin County during this timeframe is only 8.1% while Carver County population increased 46.5%. This large increase is due to the rapid expansion of the Minneapolis-St. Paul MSA in terms of both commercial businesses and suburb expansion in residential housing.

The median value of owner occupied housing units in 2000 per census data was \$143,400 in Hennepin County and \$170,200 in Carver County. The median value of owner occupied housing units in 2000 for the State of Minnesota was \$122,400. In Anchor's AA the 1990 census data indicated 68% of the housing units were owner occupied. Per 2000 census data, this number has increased to 74%. However, our community contact indicated that it is increasingly difficult to find affordable housing in Wayzata due to gentrification.

According to the Minnesota Workforce Center, unemployment levels in the State of Minnesota as of December 31, 2003 were at 4.5%, compared to 3.8% in Hennepin County and 3.6% in Carver County. The nationwide unemployment rate as of December 31, 2003 was 5.4%. There is diverse employment in Anchor's AA. Major employers in Wayzata include the school district, Wayzata Auto Center, Wells Fargo Bank and Park Nicolet Clinic. According to 2002 Business Demographic Data, the largest employment sector are nonclassifiable establishments at 36%, followed by services at 28%. Wayzata is known as an affluent suburb with a large number of specialty shops, boutiques, professional services and restaurants. There has only been a mild

slow down of local retail businesses due mainly to the high property values and taxes in the area.

Bank competition in Anchor's AA is strong. There are more than 50 financial institutions with a presence in Anchor's AA. Anchor has 3% of the market share in their AA according to 2001 deposit information obtained from the Federal Deposit Insurance Corporation.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's size, financial condition and local credit needs. The bank's quarterly average loan-to-deposit ratio for the 14 quarters since the previous CRA exam is 71.72%. Similarly situated banks with a presence in the AA are those with total assets between \$239 and \$340 million. Quarterly average loan-to-deposit ratios for similarly situated banks range from 73.47% to 109.10% over the same time frame. The loan-to-deposit ratio does not take into account loans sold by banks on the secondary market, which for Anchor totaled \$17 million in 2001 and \$25 million in 2002.

Institution	Assets (as of 12/31/02)	Average Loan-to-Deposit Ratio; 3Q99 – 4Q02
ANCHOR BANK WAYZATA	\$296 million	71.72
PREMIER BANK	\$340 million	73.47
HIGHLAND BANK	\$321 million	80.98
BANK OF ELK RIVER	\$248 million	81.93
CENTRAL BANK	\$239 million	95.39
VOYAGER BANK	\$291 million	109.10

### Lending in Assessment Area

Based on a sample of 20 commercial loans and 20 residential real estate first mortgage loans, Anchor 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, 75% by number and 73.44% by dollar were made to commercial and residential real estate customers located within the bank's AA. The following table shows loans originated inside and outside their AA by number and dollar volume.

	Number of Loans		Dollar of Loans	
	Inside	Outside	Inside	Outside

Loan Type	#	%	#	%	\$	%	#	%
<b>Commercial</b>	16	80	4	20	2,038,226	75.43	664,000	24.57
<b>Residential Real Estate</b>	14	70	6	30	1,836,998	71.35	737,500	28.65
<b>TOTALS:</b>	<b>30</b>	<b>75%</b>	<b>10</b>	<b>25%</b>	<b>3,875,224</b>	<b>73.44%</b>	<b>1,401,500</b>	<b>26.56%</b>

### Lending to Businesses of Different Revenue Sizes and Residential Real Estate Borrowers of Different Income Levels

Anchor has a reasonable 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. A random sample of 20 commercial files indicates the following breakdown of annual revenues.

<b>Borrower Distribution of Loans to Businesses</b>		
<b>Business Revenues</b>	<b>&lt; \$1,000,000</b>	<b>&gt; \$1,000,000</b>
% of AA Businesses*	51.87%	6.97%
% of Bank Loans in AA by #	45%	55%
% of Bank Loans in AA by \$	20.64%	79.36%

\*per 2002 Business Demographic Data;  
41.16% of businesses did not report revenues

Anchor has an excellent distribution of credit among residential real estate borrowers of different income levels. The following table compares the percentage of families based on income level located within the AA to those loans made by the bank from the selected loan sample of 20 residential real estate first mortgage loans.

<b>Borrower Distribution of Residential Real Estate Loans</b>								
<b>Borrower Income Level*</b>	<b>Low (0 - \$38,350)</b>		<b>Moderate (\$38,351 - \$61,360)</b>		<b>Middle (\$61,361 - \$92,040)</b>		<b>Upper (\$92,041 and over)</b>	
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	9.98%	20%	14.35%	25%	24.94%	10%	50.73%	45%

\*per 2002 HUD Estimated Median Family Income for Minneapolis-St. Paul MSA

### Geographic Distribution of Loans

The geographic distribution of commercial and residential real estate loans reflect a good dispersion throughout the AA. Anchor’s main bank and the Eden Prairie branch are located in middle-income CTs while the Plymouth branch is located in an upper-income CT. There are no low-income tracts within the bank’s defined AA or bordering the AA. The three moderate-income CTs within the AA are not near any of the CTs where Anchor banks are located. Given the moderate-income CT locations, we did not identify any conspicuous gaps in lending to moderate income CTs. 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 residential real estate first mortgage loans.

<b>Geographic Distribution of Loans to Businesses in Assessment Area</b>								
<b>Census Tract Income Level</b>	<b>Low 0%</b>		<b>Moderate 3%</b>		<b>Middle 47%</b>		<b>Upper 49%</b>	
<b>Loan Type</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>
<b>Commercial</b>	0%	0%	1.06%	0%	42.72%	70%	56.22%	30%

<b>Geographic Distribution of Residential Real Estate Loans in Assessment Area</b>								
<b>CT Income Level</b>	<b>Low 0%</b>		<b>Moderate 3%</b>		<b>Middle 47%</b>		<b>Upper 49%</b>	
<b>Loan Type</b>	<b>% of AA Owner Occupied Housing Units</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing Units</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing Units</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing Units</b>	<b>% of Number of Loans</b>
<b>Residential Real Estate</b>	0%	0%	1.19%	0%	44.80%	45%	54.01%	55%

**Responses to Complaints**

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

**Fair Lending or Other Illegal Credit Practices Review**

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