



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**March 29, 2010**

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

First American Bank, National Association  
Charter Number 24758

2424 Monetary Boulevard  
Hudson, WI 54016

Office of the Comptroller of the Currency

Minneapolis Field Office  
222 South Ninth Street, Suite 800  
Minneapolis, MN 55402-3393

**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 First American Bank, National Association (FAB) has a satisfactory record of helping to meet the credit needs of the assessment area it serves. Factors contributing to this rating include the following:

- The bank's quarterly average loan-to-deposit ratio is reasonable.
- FAB originates a majority of its loans within the assessment area.
- Lending to residential real estate borrowers of different income levels and commercial borrowers of different sizes reflects excellent penetration.
- The geographic distribution of residential real estate and commercial loans reflects reasonable dispersion.

**SCOPE OF EXAMINATION**

We assessed the bank's record of meeting the credit needs of the entire community, consistent with the provisions set forth in the Community Reinvestment Act (CRA) for the period beginning June 30, 2007 and ending February 28, 2010. In order to determine the bank's lending performance, we selected primary products based on the dollar volume and number of loan originations for the period beginning January 1, 2008 and ending February 28, 2010. Residential real estate loans are a primary product based on the dollar volume of originations of 51 percent. Commercial loans are a primary product based on the dollar volume of originations of 46 percent.

The table below illustrates the dollar volume and number of originations for the evaluation period.

Loan Type	% by #	% by \$
Agricultural (including real estate)	1.86	2.32
Commercial (including real estate)	38.55	46.27
Consumer	5.59	0.27
Residential Real Estate	54.00	51.15

We selected a random sample of 20 loans from each of the primary products in order to evaluate lending within the assessment area, income level distribution, and geographic distribution. We used 2000 U.S. Census information and 2009 Business Geodemographic Data for comparison purposes.

The bank became a Home Mortgage Disclosure Act (HMDA) reporter in 2009. We did not perform a data integrity examination to evaluate the reliability of HMDA submission information since the bank has only been required to submit HMDA data for one year. As such, we did not use HMDA information in performing the CRA review.

## **DESCRIPTION OF INSTITUTION**

FAB is a community bank with \$68 million in assets as of December 31, 2009. The bank is located in St. Croix County of western Wisconsin near the Minnesota border. FAB is 100 percent owned by First American Investment, Inc, a one-bank holding company located in Hudson, WI.

The bank's main office is a full-service facility located in Hudson, WI. Hudson is a community located 15 miles east of the Twin Cities (Minneapolis/St. Paul, Minnesota) in the Minneapolis-St. Paul-Bloomington MN-WI Metropolitan Statistical Area (MSA). The Hudson area, which includes the city of Hudson, village of North Hudson, and towns of Hudson, St. Joseph, and Troy (all in Wisconsin), has a combined population of 25,548 based on 2000 U.S. Census. The city of Hudson has a population of 8,775. The bank has no branches and no deposit taking automated teller machines (ATMs). The bank has two non-deposit taking ATMs – one at the main office and one in Baldwin, WI. FAB also offers telephone and internet banking to its customers, allowing 24-hour access to deposit and loan account information.

FAB is a full service bank offering a variety of loan and deposit products. The bank's focus is business and residential real estate lending. As of December 31, 2009, the bank's net loans and leases totaled \$49 million or 72 percent of the bank's total assets. The loan portfolio was comprised of commercial loans (69.44 percent), residential real estate loans (28.70 percent), agricultural loans (0.29 percent), consumer loans (0.24 percent), and other loans (1.33 percent).

This is the bank's first CRA examination since it was established June 22, 2007. There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

FAB's assessment area consists of all 291 census tracts (CTs) of Pierce County (WI), St. Croix County (WI), Dakota County (MN), Ramsey County (MN), and Washington County (MN). Based on 2000 census data, the assessment area includes 10 low-income tracts (3.44 percent), 63 moderate-income tracts (21.65 percent), 141 middle-income tracts (48.45 percent), 74 upper-income tracts (25.43 percent), and 3 that did not report any data (1.03 percent). The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts.

The assessment area is located in the eastern half of the Minneapolis-St. Paul-Bloomington MN-WI MSA. This portion of the MSA consists of both urban and rural areas. The population of this assessment area is 1,280,206 people, according to 2009 Projected Geodemographic Data. This represents a 9.6 percent increase over the 2000 census population of 1,168,028. The MSA is home to 18 Fortune 500 companies. These companies have made the MSA a center for high-tech electronics, medical

instruments, health care, finance, insurance, entertainment/arts, printing/publishing, as well as the processing and transportation of agricultural products.

The U.S. Department of Housing and Urban Development's 2008 and 2009 updated median family income for the MSA is \$80,900 and \$83,900, respectively. These income figures were used in determining the borrower income level for the borrower income distribution analysis. According to the 2000 U.S. Census Data, the weighted average median housing value for the assessment area was \$140,807. Approximately 71 percent of the housing units in the assessment area are owner occupied, 27 percent are rental units, and 2 percent are vacant. The median gross rent for the assessment area is \$642.

We contacted a representative of a local community foundation to better understand the economy and credit needs of the assessment area. Based on this information we determined that residential real estate and small business loans help support the local community. The contact stated that the local financial institutions, including FAB, meet the needs of the community. The contact also stated that the management of institutions in the Hudson area have always searched for community development projects to be involved in.

The local economy has experienced some strain. According to the community contact, the Hudson area has not experienced the same level of economic strain as other areas in Wisconsin; however, there has been some impact to local retail businesses and housing developers.

According to the Bureau of Labor Statistics, as of February 2010, unemployment rates in Pierce and St. Croix counties were 8.3 percent and 9.2 percent, respectively. These rates are near the Wisconsin rate of 8.7 percent. Dakota, Ramsey, and Washington counties had unemployment rates of 7.4 percent, 7.3 percent, and 7.4 percent, respectively. These rates are also near the Minnesota rate of 7.3 percent. Overall, the unemployment rates in the assessment area are high, but are lower than the national unemployment rate of 9.7 percent as of February 2010.

Competition among financial institutions in the assessment area is strong. There are approximately 80 financial institutions with 337 offices in the bank's assessment area. FAB holds 0.19 percent of the market share in the assessment area according to the June 30, 2009 FDIC Deposit Market Share Report. Institutions in the assessment area include both large regional bank branches and smaller community banks. FAB's closest competition includes smaller community banks in Hudson, River Falls, and Hager City, WI.

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

### **Loan-to-Deposit Ratio**

FAB's net quarterly average loan-to-deposit (LTD) ratio is reasonable given the bank's financial capacity, lending opportunities available in the assessment area, and

comparison to similarly situated institutions. From September 30, 2007 to December 31, 2009, the bank's quarterly LTD ratio ranged from 88.92 percent to 124.46 percent and averaged 103.54 percent. The bank was established on June 22, 2007. We used September 30, 2007 as the starting date for this performance criteria because it was the bank's first full quarter of operation and would be most comparable to the other institutions.

When compared to seven similarly situated institutions with a presence in the assessment area, FAB is ranked third out of the eight. These institutions have total assets ranging from \$45 million to \$80 million. The average ratio for all eight institutions for the evaluation period is 93.02 percent.

Institutions	Assets 12/31/2009	Quarterly Average LTD Ratio
Summit Community Bank	\$72 million	133.60%
Pinehurst Bank	\$66 million	120.28%
<b>First American Bank, NA</b>	<b>\$68 million</b>	<b>103.54%</b>
Lakeview Bank	\$65 million	98.21%
Key Community Bank	\$68 million	91.40%
River Falls State Bank	\$80 million	71.94%
Hiawatha National Bank	\$49 million	68.41%
The First State Bank of Rosemount	\$63 million	56.76%

### Lending in Assessment Area

The bank originates a majority of its loans within the assessment area, meeting the standard for satisfactory performance for lending within the assessment area. Of the 20 commercial and 20 residential real estate loans sampled, the bank originates 62.5 percent of those loans by number within the assessment area. The following table summarizes the bank's lending activity within the assessment area during the evaluation period.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000's)
	#	%	#	%		\$ (000's)	%	\$ (000's)	%	
Commercial	13	65.00	7	35.00	20	1,944	63.04	1,140	36.96	3,084
Residential RE	12	60.00	8	40.00	20	2,692	60.01	1,794	39.99	4,486
Totals	25	62.50	15	37.50	40	4,636	61.23	2,935	38.77	7,571

Source: Loan Sample

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Lending to borrowers of different incomes and businesses of different sizes reflects

excellent penetration. Commercial loans exceed the standard for satisfactory performance and residential real estate loans meet the standard for satisfactory performance. Commercial loans are given more weight as the bank considers this their primary line of business. This is reflected in the composition of the loan portfolio.

*Residential Real Estate Loans*

Residential real estate lending in the assessment area meets the standard for satisfactory performance. The following chart illustrates that the bank exceeds the demographics for moderate-income families, but is just below the demographics for low-income families. One factor contributing to the lower penetration of loans to low-income families is that the level of families in the assessment area below the poverty level is 4.37 percent and the level of low-income families below the poverty level is 31.41 percent. These borrowers have a higher degree of difficulty in qualifying for a home purchase loan.

<b>Borrower Distribution of Residential Real Estate Loans in the Assessment Area (AA)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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 RE	2.25	0.00	16.29	20.00	53.92	30.00	27.54	50.00

Source: Loan Sample, 2000 U.S. Census

*Commercial Loans*

Commercial lending in the assessment area reflects excellent penetration. The following chart illustrates that the bank’s distribution of loans to businesses with gross revenues less than or equal to one million dollars exceeds the demographics. The bank’s performance meets the demographics given the percentage of businesses with unavailable/unknown revenues.

<b>Borrower Distribution of Loans to Businesses in the Assessment Area (AA)</b>				
Gross Business Revenues	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	77.70	4.87	17.43	100%
% of Bank Loans in AA by #	95.00	5.00	0.00	100%
% of Bank Loans in AA by \$	96.00	4.00	0.00	100%

Source: Loan Sample, 2009 Business Geodemographic Data

**Geographic Distribution of Loans**

Geographic distribution of loans to borrowers and businesses in low- and moderate-income geographies meets the standards for satisfactory performance. The bank lends to borrowers in most income tract levels.

*Residential Real Estate*

The geographic distribution of residential real estate loans reflects a reasonable dispersion through the assessment area. The following chart illustrates that the bank’s residential real estate lending to borrowers in low- and moderate-income CTs is lower than, but near the demographic ratio of owner occupied housing. The bank’s ratio is lower than the demographic information due to the lack of an office in or near the low- and moderate-income CTs. The majority of low- and moderate-income CTs in the assessment area are in Ramsey County. Based on the June 30, 2009 FDIC deposit market share report, there are 34 other lending institutions with 108 offices located in Ramsey County. There are some moderate-income CTs in Dakota, Pierce, and Washington counties, but they are primarily located on the outer edges of the assessment area. Additionally, the number of families in the low-income CTs who own their own homes is very low at 1.13 percent.

<b>Geographic Distribution of Residential Real Estate Loans in the Assessment Area (AA)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential RE	1.13	0.00	14.49	5.00	55.09	65.00	29.30	30.00

Source: Loan Sample, 2000 U.S. Census

*Commercial Loans*

The geographic distribution of commercial loans to businesses with revenues less than \$1 million reflects a reasonable dispersion through the assessment area. The following chart illustrates that the bank’s commercial lending to businesses is lower than, but near the demographic ratio of businesses in the assessment area. The bank’s ratio is lower than the demographic information due to the lack of a banking office in or near the low- and moderate-income CTs. The majority of low- and moderate-income CTs in the assessment area are in Ramsey County. There are some moderate-income census tracts in Dakota, Pierce, and Washington counties, but they are primarily located on the outer edges of the assessment area. Additionally, the bank has made no loans to businesses in low-income CTs as the number of businesses in those tracts is very low at 2.65 percent.

<b>Geographic Distribution of Loans to Businesses in the Assessment Area (AA)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	2.65	0.00	19.25	15.00	53.80	55.00	24.26	30.00

*Source: Loan Sample, 2009 Business Geodemographic Data*

### **Responses to Complaints**

No CRA related complaints have been reported since the bank was established on June 22, 2007.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.