



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

June 28, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of Barron
Charter Number 10890

436 East LaSalle Avenue,
Barron, Wisconsin 54812

Office of the Comptroller of the Currency

Eau Claire Duty Station Office
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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- 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 Community Reinvestment Act (CRA) performance of the First National Bank of Barron prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, between November 29, 1993, and June 28, 1996. Bank performance was rated satisfactory in 1993. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

INSTITUTION'S CRA RATING: Based on our current analysis, this institution is rated Satisfactory Record of Meeting Community Credit Needs.

First National Bank of Barron has an adequate record of meeting the credit needs of small businesses, small farms and low/moderate income individuals in its assessment area.

The following table indicates the performance level of the First National Bank of Barron with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF BARRON PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior CRA examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Barron (FNBB) is a \$33 million financial institution located in a small agricultural community in West Central Wisconsin. The main office is located in a middle income geography. The bank has no branch offices and one automated teller machine. Barron Investment Corporation, a one bank holding company, owns a large majority of the bank. FNBB offers a variety of conventional and government-sponsored loan products which are adequately suited to community credit needs. Its \$19 million loan portfolio is divided between business (36%), residential (32%), agricultural (20%) and municipal (3%) loans. Consumer loans (9%) account for the balance of the portfolio. There are no financial, legal, or other factors which impede the bank's ability to meet its CRA obligations.

DESCRIPTION OF ASSESSMENT AREA

FNBB's assessment area consists of all of Barron County which includes 11 block numbering areas (BNA). The assessment area complies with regulatory requirements. Based on 1990 census data, one geography in the assessment area is moderate income and ten geographies are middle income. There are no low or upper income geographies in Barron County. The population of the bank's assessment area is 40,750. Although Barron is the county seat, Rice Lake is the largest municipality in the county. The Department of Housing and Urban Development's most recent (1996) estimate of median family income is \$37,700 for the state of Wisconsin non-metropolitan geographies. The median housing value is \$47,900.

The bank's assessment area is predominantly agricultural. Agricultural employment in Barron County is three times the state average. Dairy farming is the primary agribusiness. The county was ranked tenth in the state for milk production in 1993. The county also has a strong base of small to medium sized manufacturing firms with eight of the nine largest manufacturers located in Rice Lake. Although food processing is the dominant manufacturing activity, other industries include wood products, hardware, plastics and window screens. Manufacturers employ approximately 35% of the labor force, agriculture 12%, government 14%, and services 18%. The economy is characterized as stable, and growing modestly.

Competition among financial institutions in the bank's assessment area is moderate. Seven other banks and a regional bank branch are the primary competitors for commercial and farm credits. Area savings banks and credit unions also compete for consumer real estate and installment loans.

Community contacts conducted by regulators within the last two years include a community development representative and two government officials. Community credit needs include low income housing, small business and agricultural loans. Local financial institutions, including FNBB, offer a variety of credit products to meet these needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

FNBB’s loan to deposit ratio is acceptable. Significant deposit growth in 1995 and early 1996 contribute to the bank’s below average loan to deposit ratio. Since the previous CRA examination (November 1993), the average loan to deposit ratio was 64%. This ratio is 63% as of March 31, 1996, which is slightly below similarly situated banks. Comparable loan to deposit ratios for this date are:

Peer Description	Peer Average	Range within Peer
Local Peer (all banks in Barron County)	67%	63%-71%
Area Peer (all banks in surrounding seven county region)	68%	63%-75%
State Peer (Wisconsin banks between \$15 - \$70 million)	77%	
National Peer	66%	

Bank management monitors the location of all originated loans via Zip Code for municipalities within the assessment area. Loans outside the assessment area are lumped into a separate code for tracking purposes. This is a reasonable proxy for FNBB’s location of loan originations since the Zip Codes adequately approximate the county boundaries. Although currently at a satisfactory level, lending within the assessment area is declining. Approximately 83% (by number) and 60% (by dollar volume) of loans are in Zip Codes encompassed by the bank’s assessment area. This compares unfavorably to 80% (by dollar volume) at the last CRA examination.¹ Furthermore, slightly less than half of the real estate loan originations and renewals since January 1, 1994 are inside the assessment area.

The distribution of credit among borrowers and businesses of different income levels is good.

- Commercial and agricultural loans. Based on our knowledge of the bank’s loan portfolio and management discussions, all of the bank’s commercial and agricultural loan customers within the assessment area (with one exception) are small businesses (defined as businesses with revenues less than \$1 million, and farms with revenues less than \$500 thousand).
- Residential loans. Of twenty-three 1-4 family real estate mortgages in the bank’s internal 1995 analysis: 56% were to low income borrowers, and 22% were to moderate income borrowers. This compares favorably since 21% of families are low income, and 22% are moderate income in the county. Our sample of twenty-one real estate mortgages made between January 1, 1994 and June 6, 1996 showed similar results. Middle income families comprise 26% of families, and 31% are upper income.

¹Data by loan volume for the prior CRA examination was not available.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA : (continued)

We also looked at loan size as a proxy of the bank's willingness to make loans for agricultural and small business purposes. These numbers also support satisfactory performance under this factor. Less than 5% of all outstanding notes exceed an origination amount of \$100,000. And less than 2% exceed an origination amount of \$500,000. The bank also currently has over \$600M of loans outstanding under various government small business, agricultural and home improvement loan programs.

The geographic distribution of credit reflects adequate dispersion throughout the assessment area. To reach this conclusion, we again relied on management reports that track the location of loan originations since January 1, 1994 by Zip Code. Approximately 5% (by dollar and number) of loans in the assessment area are in the moderate income BNA. The remaining loans in the assessment area are in middle income BNA's. Dispersion throughout the middle income tracts varies from less than 1% to 9%. Distance from the bank's office, the location of other financial institutions, and economic activity correlate with the level of bank lending.

Examiners did not identify any instances of illegal discrimination or discouragement in the concurrent compliance review.