



**Comptroller of the Currency
Administrator of National Banks**

Small Bank

PUBLIC DISCLOSURE

June 1, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Rosemount National Bank
15055 Chippendale Avenue South
Rosemount, MN 55068**

Charter Number 17462

**Office of the Comptroller of the Currency
920 Second Avenue S., Suite 800
Minneapolis, MN 55402**

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 **Rosemount National Bank** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 1, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: “Satisfactory”

The bank has a reasonable distribution of lending to businesses of different sizes and borrowers of different incomes. The geographic distribution of lending in low- and moderate-income areas is reasonable. The bank has an average loan-to-deposit ratio and originates a substantial majority of its loans within its assessment area.

DESCRIPTION OF INSTITUTION

Rosemount National Bank (Rosemount NB) is a \$46 million institution whose main office is located in the City of Rosemount on the southern edge of the Minneapolis-St. Paul Metropolitan Statistical Area (MSA). The bank has one branch, referred to as the Arcade Office, located five miles northeast of downtown St. Paul in an area known as East St. Paul. The bank has one ATM, located in the main office. The bank is owned by Rosemount Financial Services, Inc., a one-bank holding company.

The bank's primary focus is real estate lending. On March 31, 1998, the bank's \$30 million loan portfolio consisted of approximately 59% real estate, 27% commercial and 14% individual loans. Loans secured by 1-4 family residential properties make up the largest part (40%) of the real estate loan portfolio.

The loan portfolio has decreased from \$44 million on March 31, 1997. The decrease in loans can primarily be attributed to management's focus on improving the quality of the loan portfolio. Management plans to refocus marketing efforts in the second half of 1998 to attract new loan customers. Rosemount NB was rated "Satisfactory Record of Meeting Community Credit Needs" in April 1996. There are no legal or financial impediments limiting Rosemount NB's ability to meet community credit needs.

DESCRIPTION OF THE ASSESSMENT AREAS

The assessment area of Rosemount NB is comprised of 2 counties located within the central and southern portions of Minneapolis/St. Paul Metropolitan Statistical Area (MSA). The counties include Dakota and Ramsey which are both located in Minnesota.

The assessment area population is 761,000. The unemployment rate is low at 2%. Updated 1995 census data indicates that the majority of businesses in the assessment area reported gross revenues less than \$1 million. The updated 1998 Median Family Income for the assessment area is \$60,800. The following table describes the income profile of the census tracts and the income level of the families located in the assessment area.

Rosemount National Bank Assessment Area Profile			
	Number of Tracts	% of Total	% of Families
Low-Income	14	7%	18%
Moderate-Income	38	20%	18%
Middle-Income	104	55%	27%
Upper-Income	31	16%	37%
	3 with no reported income	2%	NA
Total	190	100%	100%

Credit needs of the MSA are varied. They include all types of loans for small businesses and housing. Small business credit needs include working capital for both start-up and expanding businesses. In low-income areas of the MSA, needs include property rehabilitation loans for businesses and residences. We reviewed information from ten community contacts made by this and other regulatory agencies during the past two years. The contacts were with many different types of organizations, including those involved in economic development, small business development and housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

The bank has a reasonable distribution of lending to businesses of different sizes in relation to the demographics of the assessment area. We reviewed a sample of business loans to determine the geographic distribution of loans made to businesses located inside the assessment area. The analysis included 48 loans with original balances of \$3.5 million. This sample represents 33% of all commercial instalment and commercial single-pay loans outstanding on March 31, 1998. The following table illustrates the results of this review:

Lending Distribution Based on Revenue Size of Businesses All Commercial Instalment and Commercial Single-pay Loans Outstanding on March 31, 1998			
Revenue Size of Businesses Sampled \$(000's)	Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (census information)	Distribution by Dollar of Loans
\$0 - \$50	8%	63%	1%
\$50 - \$100	8%		3%
\$100 - \$250	23%		15%
\$250 - \$500	19%		15%
\$500 - \$1,000	11%	7%	8%
\$1,000 - \$3,000	25%	10%	44%
\$3,000 - \$5,000	4%		4%
\$5,000 - \$25,000	2%		10%
\$25,000 - \$50,000	0%	1%	0%
> \$50,000	0%	1%	0%
Totals	100%	82%	100%
Percentage of Businesses in Assessment that did not Report Revenue Volumes		18%	

The bank has a reasonable record of lending to individual borrowers of different income levels in relation to the demographics of the assessment area. We reviewed residential real estate transactions reported on the Home Mortgage Disclosure Act - Loan Application Register (HMDA-LAR) to determine borrower distribution within the assessment area. We reviewed all loans reported on the HMDA-LAR between May 1996 and March 1998. Only loans reported on the HMDA-LAR that were located within the bank's assessment area were used for this review. The analysis included 88 loans totaling \$4.3 million.

Distribution by Borrower Income of HMDA Loans Comparison to Demographics and Market			
Income Category of Families	Loan reported on the HMDA-LAR between May 1996 and March 1998		% of Families in Income Category in Assessment Area
	(by number)	(by dollar volume)	
Low-Income	7%	13%	18%
Moderate-Income	16%	18%	18%
Middle-Income	30%	40%	27%
Upper-Income	47%	29%	37%
Totals	100%	100%	100%

Geographic Distribution of Loans:

Overall, the bank has reasonable geographic distribution of lending throughout its assessment area. We compared the percentage of loans made at each income level to the percentage of census tracts within the assessment area at each income levels. The geographic distribution of loans reflects an adequate penetration throughout the assessment area. The bank has a lending relationship in 43% of the low-income and 57% of the moderate-income census tracts within their assessment area. The following table illustrates the distribution of all loans outstanding on March 31, 1998.

Geographic Distribution of all Loans			
Income Tract Profile	Distribution by Number of Loans	Distribution by Dollar of Loans	Distribution of Assessment Area Census Tracts by Number
Low-Income Tracts	1%	1%	7%
Moderate-Income Tracts	8%	6%	20%
Middle-Income Tracts	75%	72%	55%
Upper-Income Tracts	16%	21%	16%
Totals	100%	100%	98%
Tracts with no reported income	NA	NA	2%

Loan to Deposit Analysis

The bank's loan to deposit ratio is reasonable given the bank's size, financial condition and lending opportunities within its assessment area. The bank's average loan-to-deposit ratio from June 30, 1996 to March 31, 1998 was 76%. Fifteen banks of similar size, operating within the bank's assessment area, had average loan-to-deposit ratios ranging from 49% to 76% over the same time period. For the period, the bank had the highest loan to deposit ratio. However, the bank's loan to deposit ratio has declined during the past three quarters and was 69% on March 31, 1998.

Lending Inside the Assessment Areas

Rosemount NB originates a majority of its loans inside of its assessment area. Approximately 66% of outstanding loans by number and 61% of loans by dollars are located within the assessment area. We reviewed a bank-prepared analysis of all loans outstanding on March 31, 1998. The review included 1,374 loans totaling \$29.9 million. We tested the bank's analysis for completeness and accuracy and agree with the results presented.

Response to CRA Related Complaints

The bank has not received any CRA-related complaints since the previous evaluation.

Compliance with Antidiscrimination Laws

Rosemount NB is in compliance with applicable antidiscrimination laws and regulations. During our fair lending review, we found no evidence of apparent disparate treatment.

Investments and Services

On February 12, 1997, Rosemount NB made a \$25,000 investment in Dakota County Capital, LLC ("the LLC"), which meets the definition of a community development investment under the Community Reinvestment Act. The LLC was established to help provide gap financing and equity capital for small businesses in Dakota County. The primary beneficiaries of this financing are small businesses located in low- and moderate-income areas, and low- and moderate-income individuals who will benefit from obtaining permanent jobs from these businesses.