

PUBLIC DISCLOSURE

March 20, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Liberty Bank Minnesota
111 Seventh Avenue South
St. Cloud, Minnesota 56301
RSSD 1387203

Federal Reserve Bank of Minneapolis
90 Hennepin Avenue, P.O. Box 291
Minneapolis, MN 55480-0291

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 the 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.

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Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

Examiners evaluated the Community Reinvestment Act (CRA) performance of Liberty Bank Minnesota, St. Cloud, Minnesota, using the Small Bank CRA Examination Procedures. Based on the bank's asset size and financial condition, the bank effectively meets the needs of the residents in its assessment areas.

Several factors support the bank's Outstanding rating:

- The bank's lending to borrowers of different income levels is excellent.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment areas.
- The net loan-to-deposit ratio is reasonable given the bank's asset size and financial condition, and the credit needs of its assessment areas.
- The bank originated a substantial majority of its loans inside the assessment areas.
- The bank's qualified investments in the form of donations and community development services enhance credit availability in the assessment areas.

The bank, previously named Liberty Savings Bank, FSB, received an Outstanding rating at the previous evaluation, dated February 15, 2012 (Office of the Comptroller of the Currency). The bank became a state member bank of the Federal Reserve System on January 1, 2016. The bank began using its new name, Liberty Bank Minnesota, in 2016.

SCOPE OF EVALUATION

The scope of the evaluation covers the bank's major product line, which is residential real estate loans, as shown in Table 1. Accordingly, examiners analyzed Home Mortgage Disclosure Act (HMDA) data to understand the residential real estate mortgage market in the bank's assessment areas and the bank's CRA performance in these areas. The bank is required to report HMDA data because it operates offices in the St. Cloud, MN, metropolitan statistical area (MSA) and the Minneapolis-St. Paul-Bloomington, MN-WI MSA. This evaluation includes the bank's home purchase, refinance, home improvement, and multifamily loans originated in 2015 and 2014. Examiners reviewed the bank's 2013 and 2012 HMDA data for consistency with 2015 and 2014 data but did not include these years of HMDA data in the evaluation for the borrower's profile and geographic distribution of loans criteria.¹ Examiners also reviewed HMDA data reported by aggregate lenders to better assess the bank's HMDA lending performance in the assessment areas. The evaluation refers to this loan information as aggregate lending data.

TABLE 1²				
Loan Originations From January 1, 2015, Through December 31, 2015				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Loan Dollars</i>	<i>Percentage of Total Dollars</i>
Construction/Land Development	52	3.7	\$22,068,870	8.1
Consumer	349	24.6	4,693,279	1.7
Home Equity Lines of Credit	163	11.5	13,025,242	4.8
Residential Real Estate	850	59.9	230,838,124 ³	85.0
Small Business (≤ \$1 million)	4	0.3	1,037,682	0.4
Total	1,418	100.0	\$271,663,197	100.0

¹ Examiners included all four years of HMDA data in the assessment area concentration criterion.

² Note: Because the percentages presented in the tables are rounded to the nearest tenth, some columns or rows may not total 100.0%.

³ The bank sells the majority of its residential real estate loans on the secondary market.

Examiners analyzed the following criteria to determine the bank's CRA rating:

- Lending to borrowers of different income levels.
- Geographic distribution of loans.
- Lending inside the assessment areas.
- Net loan-to-deposit ratio.
- Record of responding to complaints about the bank's CRA performance.

Of the five core criteria, examiners placed the greatest weight on the bank's lending to borrowers of different income levels and the geographic distribution of loans. The remaining criteria were weighted less, but equally. The bank has not received any CRA-related complaints since the previous evaluation. Examiners conducted full-scope reviews of both assessment areas, and placed greater weight on the St. Cloud MSA assessment area in assigning the overall rating for the bank. This assessment area includes five of the bank's six offices and 75.9% of the bank's HMDA loans by number.

At the option of bank management, and in accordance with the Small Bank CRA Examination Procedures, examiners reviewed the bank's qualified investments and community development services. The bank provided examiners with its most impactful community development activities for review. The bank did not originate any community development loans. The bank's high level of community development activities enhances the overall CRA rating. The evaluation period for community development activities is from February 15, 2012, to March 20, 2017.

The evaluation is based in part on discussions with bank management and interviews with members of the community familiar with economic issues and demographic characteristics of the assessment areas. Examiners used information from these sources to evaluate the bank's CRA performance.

DESCRIPTION OF INSTITUTION

Offices. The bank's main office is located in St. Cloud. The bank also operates two full-service branches in St. Cloud and one branch each in Sartell, Monticello, and Waite Park, Minnesota. Each office has a drive-up facility and a cash-dispensing-only ATM. The bank's office hours are appropriate for the communities the bank serves. Lobby hours are either 8:00 a.m. or 9:00 a.m. to 5:00 p.m. Monday through Friday, depending on the office. For all offices, drive-up hours are 7:30 a.m. to 6:00 p.m. Monday through Thursday and 7:30 a.m. to 7:00 p.m. on Friday. In addition, all offices have Saturday drive-up hours and three offices have Saturday lobby hours.

The bank's Sartell branch, which opened in December 2012, is new since the previous evaluation. The bank acquired this office from Integrity Bank Plus, Wabasso, Minnesota. It is located in a middle-income census tract in an area where the bank already had a number of customers. The bank closed two stand-alone cash-dispensing-only ATMs since the previous evaluation. These changes did not affect the accessibility of the bank's retail services because the ATMs were in close proximity to bank offices.

Alternative Delivery Methods. The bank offers online, mobile, and telephone banking; bill-payment services; and access to a surcharge-free ATM network. Through these banking channels, customers are able to review account information, transfer funds, make payments, and view periodic statements. Customers can also apply for home mortgage loans online.

Loan Portfolio. According to the December 30, 2016, Report of Condition, the bank's assets total \$202.0 million. The bank's \$114.4 million loan portfolio consists of 87.8% residential real estate, 8.1% commercial, and 4.1% consumer loans. The overall composition of the loan portfolio remained relatively stable since the previous evaluation.

Credit Products. The bank offers a wide variety of loan products to meet the credit needs of the residents in its assessment areas. Residential real estate lending is the bank's primary focus. In addition to offering conventional loan products, the bank actively participates in government-sponsored programs, including programs through the U.S. Department of Agriculture Rural Development (RD), the Federal Housing Administration (FHA), and the U.S. Department of Veterans Affairs (VA). The bank originated 443 FHA and VA loans from 2012 through 2015 based on the bank's HMDA data. The bank also participates in Minnesota Housing Financing Agency (MHFA) loan programs. Finally, the bank also offers business loans.

DESCRIPTION OF ASSESSMENT AREAS

The bank has two assessment areas for CRA purposes in central Minnesota. The St. Cloud MSA assessment area consists of the eastern portion of Stearns County, and Benton County. These counties comprise the St. Cloud, MN MSA. The Minneapolis-St. Paul-Bloomington MSA assessment area includes Wright and Sherburne counties. At the previous evaluation, this assessment area included portions of Wright and Sherburne counties. The bank changed the assessment area because of lending growth in this area. These counties are part of the Minneapolis-St. Paul-Bloomington, MN-WI MSA.

The number of tracts and income classifications of some tracts changed in the bank's assessment areas since the previous evaluation because of the release of 2010 U.S. Census data.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs of its assessment areas is rated Outstanding. The bank's lending to borrowers of different income levels is excellent, and its geographic distribution of loans throughout the assessment areas is excellent and does not reveal any unexplained gaps in lending patterns. The bank originated a substantial majority of the loans within the assessment areas, and the bank's net loan-to-deposit ratio is reasonable. Finally, the bank's qualified investments in the form of donations and community development services enhance credit availability as well as the bank's overall CRA rating.

CRA requires a separate analysis of the bank's performance in each MSA. Therefore, a detailed discussion of the bank's lending to borrowers of different income levels and the geographic distribution of the bank's loans can be found in the separate assessment area sections of this evaluation. However, examiners analyzed the net loan-to-deposit ratio and the comparison of lending inside and outside of the assessment areas at the bank level. These two criteria are discussed below.

The evaluation compares the bank's lending activity to demographic information, including census data. Although demographic information provides context for understanding and evaluating the bank's performance, comparisons to the demographic data do not define an expected level of lending. Instead, examiners evaluate each individual bank's CRA performance in light of its overall performance context.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREAS

The bank originated a substantial majority of its loans within the assessment areas, specifically, 86.0% of loans by number and 84.9% by total dollar amount. Table 2 shows the bank's lending activity by HMDA loan type inside and outside the assessment areas.

TABLE 2								
Distribution of Loans Inside and Outside the Assessment Areas								
<i>Loan Type</i>	<i>Inside</i>				<i>Outside</i>			
	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>\$(000s)</i>	<i>%</i>
Home Purchase – Conventional	982	82.2	170,535	81.6	212	17.8	38,513	18.4
Home Purchase – FHA	351	91.9	52,439	92.1	31	8.1	4,483	7.9
Home Purchase – VA	52	85.2	9,774	84.4	9	14.8	1,803	15.6
Home Improvement	32	94.1	650	97.5	2	5.9	17	2.5
Refinancing	2,437	86.7	372,473	85.6	374	13.3	62,774	14.4
Total	3,854	86.0	\$605,871	84.9	628	14.0	\$107,590	15.1

Bank management stated that its focus is to provide loans to borrowers within the assessment areas. Bank management also indicated the bank has many loyal customers who obtain loans from the bank for second or vacation homes located outside the assessment areas. In addition, some customers maintain lending relationships with the bank even though they have moved away from the area. Many of the loans originated outside the assessment areas were in counties adjacent to the bank's assessment areas.

The bank's lending shows its commitment to meeting the credit needs of residents inside its assessment areas.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is reasonable given the bank's asset size and financial condition as well as the credit needs and competition in the bank's assessment areas. The bank's December 31, 2016, net loan-to-deposit ratio of 63.2% is lower than the national peer group's net loan-to-deposit ratio of 78.3%. The bank's national peer group includes insured commercial bank with assets between \$100 million and \$300 million, with three or more full-service offices and located in an MSA.

Since the previous evaluation, the bank's quarterly net loan-to-deposit ratio has ranged from 55.6% to 69.4%. The average net loan-to-deposit ratio for the past 20 quarters is 61.1%. The bank sells the majority of its residential real estate loans on the secondary market, which is a significant volume of loans. These loans are not reflected in the bank's net loan-to-deposit ratio. The bank's acquisition of the Sartell branch in 2012 increased deposits; total deposits increased from \$150.2 million on September 30, 2012, to \$160.9 million on December 31, 2012. During the same period, net loans slightly decreased. At the previous evaluation, the bank's 27-quarter average net loan-to-deposit ratio⁴ was 91.7%.

⁴ The bank filed Thrift Financial Reports (TFR) through December 31, 2011, which was the quarter end of the prior evaluation period. The bank began filing Call Reports March 31, 2012. According to bank management, TFR separated deposits and escrow funds; the Call Report does not. The bank services a large portfolio of home mortgage loans and maintains custodial accounts for escrow purposes.

Table 3 shows the bank's 20-quarter average net loan-to-deposit ratio compared to four other banks of similar asset size operating in the area.

TABLE 3 20-Quarter Average Net Loan-to-Deposit Ratio		
<i>Bank Name and Location</i>	<i>Assets as of December 31, 2016 (in thousands)</i>	<i>Average Net Loan-to-Deposit Ratio</i>
Liberty Bank Minnesota, St. Cloud, Minnesota	\$201,970	61.1%
BankVista, Sartell, Minnesota	\$209,235	103.1%
Minnesota National Bank, Sauk Centre, Minnesota	\$218,946	71.0%
Plaza Park State Bank, Waite Park, Minnesota	\$204,075	85.9%
Sentry Bank, St. Joseph, Minnesota	\$207,029	71.0%

Bank management indicated that competition is strong for HMDA loans, given the number of financial institutions operating in both the St. Cloud, MN MSA and the Minneapolis-St. Paul-Bloomington, MN-WI MSA. The bank faces competition from large national banks, regional banks, credit unions, and mortgage companies.

The net loan-to-deposit ratio demonstrates the bank's willingness to fulfill credit needs throughout the assessment areas. In addition, community contacts did not identify any unmet credit needs in the assessment areas.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

The bank's lending to borrowers of different income levels is excellent. The bank actively lends to low- and moderate-income individuals. Refer to the individual assessment area sections for a more detailed discussion of the borrower distribution of HMDA loans.

GEOGRAPHIC DISTRIBUTION OF LOANS

Overall, the bank's geographic distribution of loans reflects excellent dispersion throughout the assessment areas and does not reveal any unexplained gaps in lending patterns. Refer to the individual assessment area sections for more detailed information on the geographic distribution of HMDA loans.

QUALIFIED INVESTMENTS AND SERVICES

Since the previous evaluation, the bank made qualified investments in the form of donations and provided services that enhance credit availability in its assessment areas, as well as the bank's overall CRA rating. The level of donations is particularly noteworthy given the bank's asset size. The bank's community development services are also impactful because of affordable housing concerns. Most community development activities occurred in the bank's St. Cloud MSA assessment area, which is reasonable. As previously mentioned, the St. Cloud MSA assessment area includes five of the bank's six offices, including the bank's main office, and the majority of the bank's lending. The remaining community development activities benefit a regional area that includes both assessment areas.

Qualified Investments. The level of qualified investments in the form of donations is significant and enhances the bank's CRA performance. The bank made donations totaling \$277,553 that supported organizations or efforts that serve primarily low- and moderate-income individuals, focus on affordable housing, revitalize or stabilize moderate-income geographies, or focus on economic development. Of this amount, the bank made several large donations totaling \$248,803 that helped to revitalize moderate-income areas of downtown St. Cloud, which the city and other groups have targeted for redevelopment. Specifically, the bank improved the landscape and monument in the Lady Slipper parking lot, which is a catalyst site for development in the downtown area. In addition, many of the donations helped low- and moderate-income students in the St. Cloud school district. The level of donations for a financial institution of the bank's size is notable. The majority of donations directly benefited the St. Cloud MSA assessment area. The remaining donations were to organizations that serve a regional area that includes both of the bank's assessment areas.

Community Development Services. The bank provided many community development services that enhance its CRA performance. The bank provided 26 community development services during the evaluation period, most (21) directly benefit the St. Cloud MSA assessment area. The bank also provided services to an organization that served a regional area covering both of its assessment areas. The bank's services relate to affordable housing efforts, which is responsive to affordable housing concerns identified by community contacts. Bank officers typically provided these services throughout the duration of the evaluation period, which is notable.

- One senior bank officer served as a commissioner and also as an audit committee member for an organization that provides affordable housing programs.
- One senior bank officer taught first-time homebuyer education classes for an organization that promotes affordable housing.
- The bank's president served as an advisor on housing issues for a poverty task force that the mayor established.
- One senior bank officer serves on an advisory board for a government-sponsored enterprise that offers affordable housing programs.
- One senior bank officer assisted in creating a down payment and closing cost assistance program for an organization that provides affordable housing programs.

RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

The bank has not received any CRA-related complaints concerning the bank since the previous evaluation, nor has the Federal Reserve Bank of Minneapolis received any CRA-related complaints since the bank's membership date.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The examination did not reveal any evidence of violations of antidiscrimination laws or regulations (including Regulation B--Equal Credit Opportunity Act, Regulation C--Home Mortgage Disclosure Act, and the Fair Housing Act) or other illegal credit practices inconsistent with the bank helping to meet community credit needs.

METROPOLITAN AREA – FULL REVIEW

DESCRIPTION OF THE ST. CLOUD, MN MSA (41060) ASSESSMENT AREA

Bank Information and Assessment Area. The bank operates five offices in this assessment area: the main office in St. Cloud, two branches in St. Cloud, a branch in Sartell, and a branch in Waite Park. Since the previous evaluation, the bank opened the Sartell branch (December 2012). The Waite Park branch is located in a moderate-income tract. The Sartell and the Westwood St. Cloud branches are in middle-income tracts. The main office and the South St. Cloud branch are in upper-income tracts. Each office has a drive-up facility and a cash-dispensing-only ATM. The bank closed two stand-alone cash-dispensing-only ATMs in this assessment area since the previous evaluation. These changes did not affect the accessibility of the bank's retail services because the ATMs were in close proximity to bank offices.

According to the June 30, 2016, FDIC Deposit Market Share Report, the bank had \$143.8 million in deposits in the St. Cloud MSA, which represents a 3.0% market share. The bank ranks 8th of 32 FDIC-insured institutions with offices in this MSA. The bank's deposits in this assessment area represent 84.6% of the bank's total deposits.

The bank defines the St. Cloud MSA assessment area as the eastern portion of Stearns County and Benton County in its entirety. Stearns and Benton counties form the St. Cloud, MN MSA. The St. Cloud MSA assessment area includes 33 census tracts; five are moderate income, 25 are middle income, and three are upper income. Since the previous evaluation, there were changes to the number of tracts and income classification of some tracts in the assessment area because of the release of 2010 U.S. Census data. Specifically, this assessment area previously included 29 tracts, consisting of four upper-income, 21 middle-income, three moderate-income, and one low-income tract.

Table 4 shows the demographic characteristics of the assessment area based on the 2015 Federal Financial Institutions Examination Council (FFIEC) adjusted census data⁵ and 2015 Dun & Bradstreet data.

TABLE 4 St. Cloud MSA Assessment Area Demographics								
<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	7,552	18.5
Moderate Income	5	15.2	5,098	12.5	749	14.7	6,794	16.6
Middle Income	25	75.8	32,266	78.9	2,233	6.9	10,661	26.1
Upper Income	3	9.1	3,542	8.7	43	1.2	15,899	38.9
Total Assessment Area	33	100.0	40,906	100.0	3,025	7.4	40,906	100.0

⁵ The FFIEC adjusted census data is based on decennial U.S. Census data and American Community Survey five-year estimate data, and it also reflects Office of Management and Budget metropolitan statistical area revisions.

TABLE 4
St. Cloud MSA Assessment Area Demographics

<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	13,297	5,258	11.8	39.5	7,036	52.9	1,003	7.5
Middle Income	49,432	35,535	79.5	71.9	10,257	20.7	3,640	7.4
Upper Income	4,881	3,883	8.7	79.6	830	17.0	168	3.4
Total Assessment Area	67,610	44,676	100.0	66.1	18,123	26.8	4,811	7.1
<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	1,485	16.7	1,292	15.9	189	25.9	4	7.4
Middle Income	6,553	73.6	6,046	74.5	462	63.2	45	83.3
Upper Income	866	9.7	781	9.6	80	10.9	5	9.3
Total Assessment Area	8,904	100.0	8,119	100.0	731	100.0	54	100.0
Percentage of Total Businesses:				91.2		8.2		0.6
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	14	1.6	14	1.6	0	0.0	0	0.0
Middle Income	847	96.6	842	96.6	5	100.0	0	0.0
Upper Income	16	1.8	16	1.8	0	0.0	0	0.0
Total Assessment Area	877	100.0	872	100.0	5	100.0	0	0.0
Percentage of Total Farms:				99.4		0.6		0.0

Income. For purposes of classifying borrower incomes, this evaluation uses the FFIEC median family income. For borrowers in the St. Cloud, MN MSA, this figure is \$73,200 for 2015 and \$69,600 for 2014. For purposes of classifying census tracts by income level, this evaluation relies on the FFIEC adjusted census data median family income for the St. Cloud, MN MSA, which was \$64,993 for both years.

Population. According to 2010 census data, the population of the St. Cloud MSA assessment area is 167,352. The city of St. Cloud is the county seat of Stearns County. Stearns County has a population of 150,642, and Benton County has a population of 38,451. According to 2015 census population estimates, St. Cloud has a population of 66,298, which accounts for approximately 39.6% of the assessment area population. According to bank management and community contacts, the minority population has been increasing as more immigrants have moved to the St. Cloud area. In addition, community contacts indicated that the population is aging, and the senior population is expected to grow around 140% in the next ten years. Finally, one community contact indicated that the number of younger families is also increasing, and more schools are being built.

The population of the moderate-income census tracts is 27,824, which is 16.6% of the assessment area's population. The population of the middle-income tracts is 123,272, or 73.7% of the assessment area's population. The population of the upper-income tracts is 16,256, or approximately 9.7% of the assessment area's population. Of the 40,906 families in the assessment area, 18.5% are low income and

16.6% are moderate income. These percentages are generally consistent with the percentages of low- and moderate-income families for the state of Minnesota, which are 19.0% and 18.0%, respectively.

Economy. According to community contacts and bank management, economic conditions are strong overall because the St. Cloud area has a diverse economy. Major industries include health care, local government, higher education, manufacturing, and retail. St. Cloud is a regional hub for health care. Community contacts indicated that some new technology and manufacturing businesses have opened recently. Businesses are generally expanding; however, retail businesses are struggling with declining sales because of online shopping. Key employers in the St. Cloud area include CentraCare Health, GNP Company (Gold'n Plump), AB Electrolux, St. Cloud State University, and the College of Saint Benedict and Saint John's University. Recently, some of these employers have had changes in ownership or product lines. For example, a community contact mentioned that GNP Company was recently sold. In addition, Electrolux is discontinuing a portion of its chest freezer production by the end of 2017, but the impact of this change is currently unknown.

Community contacts and bank management stated that unemployment in the area has been low. According to the Bureau of Labor Statistics, the December 2015 nonseasonally adjusted unemployment rate was 3.6% for Stearns County and 4.6% for Benton County. The rate for Stearns County is lower than the 3.7% unemployment rate for the state of Minnesota for the same period. A community contact indicated that it is difficult for businesses to find qualified applicants in the area.

Bank management also stated that the local market is a competitive one for HMDA loans. Numerous financial institutions, including large national banks, regional banks, credit unions, and mortgage companies operate in St. Cloud and the surrounding area. Community contacts did not identify any unmet credit needs in the assessment area.

Housing. According to community contacts, affordable housing is a concern for both homeowners and renters. It is difficult to find houses under \$160,000 in the area that do not need a significant amount of work, which can make the homes unaffordable. Further, when homes at this price point are on the market, they tend to sell quickly and many receive multiple offers, which increase the purchase price. The rental market in St. Cloud is tight and the waitlist for housing assistance is long. There have been a number of construction projects for multifamily buildings, but these projects are for market rate apartments. Vacancy rates in the area are low, which has driven up rental prices. One community contact indicated that there has not been a substantial affordable housing project in the past five years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance in the St. Cloud MSA assessment area is excellent. The bank's qualified investments in the form of donations and community development services enhance credit availability, as described in the Institution section. As previously mentioned, most community development activities benefitted the St. Cloud MSA assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

HMDA Lending. The bank's HMDA lending to low- and moderate-income borrowers is excellent. Table 5 shows the bank's HMDA lending by borrower income levels for 2015 and 2014. Examiners did not evaluate the bank's home improvement or multifamily loans in each year because of limited or no lending for these product types.

TABLE 5										
2015 HMDA Loans by Income Level of Borrower										
<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	46	15.4	85	28.5	82	27.5	84	28.2	1	0.3
Refinance	27	10.4	46	17.8	85	32.8	101	39.0	0	0.0
Home Improvement	0	0.0	0	0.0	2	100.0	0	0.0	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total 2015 HMDA Loans	73	13.1	131	23.4	169	30.2	185	33.1	1	0.2
2014 HMDA Loans by Income Level of Borrower										
<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	28	10.4	71	26.4	91	33.8	79	29.4	0	0.0
Refinance	10	6.8	33	22.3	32	21.6	73	49.3	0	0.0
Home Improvement	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total 2014 HMDA Loans	39	9.3	104	24.9	123	29.4	152	36.4	0	0.0

The bank originated 559 HMDA-reportable loans in the St. Cloud MSA assessment area in 2015 and 418 HMDA-reportable loans in 2014. In 2015, the bank ranked second out of 239 lenders that reported HMDA loans in the assessment area, and second out of 221 reporters in 2014. In 2015, the bank's loans represented 10.3% of total HMDA lending in the assessment area. The largest reporter each year was a large, nationally chartered financial institution that purchased a significant percentage of its HMDA loans.

In 2015 and 2014, the bank originated 13.1% and 9.3% of its HMDA loans to low-income borrowers, respectively. Demographic data indicates that 18.5% of families in the assessment area are low income. The bank's lending to low-income borrowers is below demographics but is reasonable, given the performance context.

In 2015 and 2014, the bank originated 23.4% and 24.9% of its HMDA loans to moderate-income borrowers, respectively. Demographic data indicates that 16.6% of families in the assessment area are moderate income. The bank's lending to moderate-income borrowers exceeds demographics.

Overall, the bank's lending to low- and moderate-income borrowers compares favorably to aggregate lenders. In 2015, aggregate lenders originated 11.1% of loans to low-income borrowers and 22.4% to moderate-income borrowers. In 2014, aggregate lenders originated 9.9% of loans to low-income borrowers and 22.1% to moderate-income borrowers. For low-income borrowers, the bank exceeds aggregate lenders performance in 2015 and is consistent with aggregate lenders in 2014. For moderate-income borrowers, the bank exceeds aggregate lenders for both years. Aggregate lenders in this competitive market include large national banks, regional banks, community banks, credit unions, and mortgage companies. A community contact indicated that Liberty Bank Minnesota is the most active and well-known institution for residential real estate loans in the St. Cloud area.

As previously noted, affordable housing is a concern in the St. Cloud area, and it is difficult to find homes under \$160,000 that do not need a significant amount of work. Using the assumption that a borrower can afford a home approximately three times annual income, based on the 2015 FFIEC estimated median family income of \$73,200 for the St. Cloud, MN MSA, an individual with the highest income in the low-

income bracket (\$36,599) could afford a \$109,797 home. An individual with the highest income in the moderate-income bracket (\$58,559), a borrower could afford a \$175,677 home. According to the 2015 FFIEC census data, the median housing value in the St. Cloud MSA assessment area is \$176,593. Homeownership is more affordable for moderate-income individuals.

The bank offers a number of programs through the MHFA that help lower-income individuals (including first-time homebuyers) to purchase or refinance a home. The programs include loans with down payment assistance, affordable interest rates, loans that do not require mortgage insurance, and loans with monthly payment assistance. The bank also offers a variety of federal government-sponsored loan programs to help serve the needs of low- and moderate-income borrowers. These loan programs are responsive to the needs of borrowers in the area.

Examiners also evaluated the bank's 2013 and 2012 HMDA lending. The distribution of HMDA loans by borrower income for both years is similar to its 2015 and 2014 performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

HMDA Lending. The geographic distribution and dispersion of the bank's 2015 and 2014 HMDA loans is excellent. The following table shows the distribution of the bank's 2015 and 2014 HMDA loans by census tract income level. There are no low-income census tracts in the bank's St. Cloud MSA assessment area.

TABLE 6						
2015 HMDA Loans by Income Level of Census Tract						
	<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
<i>Loan Type</i>	#	%	#	%	#	%
Home Purchase	33	11.1	224	75.2	41	13.8
Refinance	21	8.1	191	73.7	47	18.1
Home Improvement	0	0.0	1	50.0	1	50.0
Multifamily	0	0.0	0	0.0	0	0.0
Total 2015 HMDA Loans	54	9.7	416	74.4	89	15.9
2014 HMDA Loans by Income Level of Census Tract						
	<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>	
<i>Loan Type</i>	#	%	#	%	#	%
Home Purchase	29	10.8	190	70.6	50	18.6
Refinance	12	8.1	108	73.0	28	18.9
Home Improvement	0	0.0	1	100.0	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0
Total 2014 HMDA Loans	41	9.8	299	71.5	78	18.7

For 2015 and 2014, the bank extended 9.7% and 9.8% of its HMDA loans in the moderate-income tracts, respectively. According to demographics, 12.5% of the families in the bank's assessment area reside in the moderate-income tracts. Of the owner-occupied units in the assessment area, 11.8% are in the moderate-income tracts. While the bank's lending is below demographics in these tracts, its lending is

consistent with aggregate lenders for both years. Aggregate lenders extended 9.2% and 9.4% of HMDA loans in the moderate-income tracts in 2015 and 2014, respectively.

Downtown St. Cloud includes moderate-income areas, and St. Cloud State University is located near these areas. The majority (52.9%) of housing units in the moderate-income tracts are rental units, which limits home lending opportunities. The bank worked with the St. Cloud Housing and Redevelopment Authority to develop the Homestead Incentive Program during the evaluation period, which was created to promote homeownership and help increase the number of owner occupied homes in St. Cloud's core neighborhoods. Borrowers can obtain an interest free, deferred loan up to \$3,000 for down payment and closing costs. The bank originated HMDA loans where borrowers used this flexible loan program during the evaluation period. Finally, the bank competes with other financial institutions for HMDA loans. Given the performance context and the bank's efforts to originate loans in moderate-income tracts, its performance is excellent.

The bank originated HMDA loans in each moderate-income tract. The bank originated the majority of its HMDA loans each year in middle-income tracts, which is reasonable because 78.9% of families in the assessment area reside in middle-income tracts.

Examiners also evaluated the bank's 2013 and 2012 HMDA lending activity. The geographic distribution of the bank's 2013 and 2012 HMDA loans by census tract income level is similar to its 2015 and 2014 performance.

METROPOLITAN AREA – FULL REVIEW

DESCRIPTION OF THE MINNEAPOLIS-ST. PAUL-BLOOMINGTON, MN-WI, MSA (33460) ASSESSMENT AREA

Bank Information and Assessment Area. The bank operates one branch (Monticello) in the Minneapolis-St. Paul-Bloomington MSA assessment area. The branch has a drive-up facility and a cash-dispensing-only ATM. This branch is located in a middle-income census tract.

According to the June 30, 2016, FDIC Deposit Market Share Report, the bank had \$26.2 million in deposits in Sherburne and Wright counties, which represents a 1.1% market share. The bank ranks 25th of 27 FDIC-insured institutions with offices in these counties. The bank's deposits in this assessment area represent 15.4% of the bank's total deposits.

The bank defines this assessment area as Wright and Sherburne counties, which are a part of the Minneapolis-St. Paul-Bloomington MN-WI MSA. At the previous evaluation, this assessment area included 10 census tracts in portions of Wright and Sherburne counties. The bank adjusted this assessment area because of growth of lending in this area.

The Minneapolis-St. Paul-Bloomington MSA assessment area has 28 census tracts; three are moderate income, 24 are middle income, and one is upper income. Since the previous evaluation, there were also changes to the number of tracts and income classification of some tracts in the assessment area because of the release of 2010 U.S. Census data.

Table 7 shows the demographic characteristics of the assessment area based on the 2015 FFIEC adjusted census data and 2015 Dun & Bradstreet data.

TABLE 7								
Minneapolis-St. Paul-Bloomington MSA Assessment Area Demographics								
<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families < Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	9,036	16.4
Moderate Income	3	10.7	3,385	6.1	455	13.4	10,977	19.9
Middle Income	24	85.7	50,411	91.3	1,833	3.6	16,128	29.2
Upper Income	1	3.6	1,432	2.6	95	6.6	19,087	34.6
Total Assessment Area	28	100.0	55,228	100.0	2,383	4.3	55,228	100.0
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	6,082	3,448	5.5	56.7	2,075	34.1	559	9.2
Middle Income	72,465	57,785	92.1	79.7	8,708	12.0	5,972	8.2
Upper Income	1,672	1,511	2.4	90.4	110	6.6	51	3.1
Total Assessment Area	80,219	62,744	100.0	78.2	10,893	13.6	6,582	8.2

TABLE 7
Minneapolis-St. Paul-Bloomington MSA Assessment Area Demographics

<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	661	5.9	610	5.8	45	7.2	6	9.2
Middle Income	10,283	91.7	9,650	91.7	575	91.4	58	89.2
Upper Income	274	2.4	264	2.5	9	1.4	1	1.5
Total Assessment Area	11,218	100.0	10,524	100.0	629	100.0	65	100.0
Percentage of Total Businesses:				93.8		5.6		0.6
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤ \$1 Million</i>		<i>> \$1 Million</i>		<i>Revenue Not Reported</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	103	17.2	101	17.1	2	20.0	0	0.0
Middle Income	493	82.2	485	82.2	8	80.0	0	0.0
Upper Income	4	0.7	4	0.7	0	0.0	0	0.0
Total Assessment Area	600	100.0	590	100.0	10	100.0	0	0.0
Percentage of Total Farms:				98.3		1.7		0.0

Income. For purposes of classifying borrower incomes, this evaluation uses the FFIEC median family income. For borrowers in the Minneapolis-St. Paul-Bloomington MSA, this figure is \$85,700 for 2015 and \$83,900 for 2014. For purposes of classifying census tracts by income level, this evaluation relies on the FFIEC adjusted census data median family income for the Minneapolis-St. Paul-Bloomington MSA, which was \$79,301 for both years.

Population. According to 2010 census data, the population for the Minneapolis-St. Paul-Bloomington MSA assessment area is 213,199. Sherburne County has a population of 88,499, and Wright County has a population of 124,700, or 58.5% of the assessment area population. According to 2015 census population estimates, the population of Monticello is 13,065, which is an increase of 2.4% since the 2010 census. Community contacts indicated that the population is aging, and the senior population is rapidly growing.

The population of the moderate-income tracts is 16,043, which is 7.5% of the assessment area's population. The population of the middle-income tracts is 192,165, or 90.1% of the assessment area's population. The population of the upper-income tracts is 4,991, or 2.3% of the assessment area's population. Of the 55,228 families in the assessment area, 16.4% are low income and 19.9% are moderate income. The percentages of low- and moderate-income families for the state of Minnesota are 19.0% and 18.0%, respectively.

Economy. According to community contacts and bank management, the overall economy is doing well. The economy is diverse and major industries include agriculture, manufacturing, health care, local governments and school districts, and retail. Some key employers include CentraCare Health – Monticello and other health care providers; Cargill, Incorporated; and Wal-Mart Stores, Inc. Community contacts indicated that no major employers left the area in recent years. According to bank management, residents are able to live in a more rural area while taking advantage of access to jobs in the Twin Cities.

Community contacts and bank management stated that unemployment in the area has been low. According to the Bureau of Labor Statistics, the December 2015 nonseasonally adjusted unemployment rate was 4.1% for Sherburne County and 3.8% for Wright County. This rate was 3.7% for the state of Minnesota for the same time period. Community contacts stated that although wages are higher than the minimum wage, employers struggle to attract and retain employees because of low wages relative to housing prices and a lack of public transportation.

Bank management also stated that the local market is a competitive one for HMDA loans. Numerous financial institutions, including large national banks, regional banks, credit unions, and mortgage companies operate in the area. Community contacts did not identify any unmet credit needs.

Housing. According to community contacts, affordable housing is a concern in the assessment area for both homeowners and renters. Contacts indicated that while population growth in Wright County has led to significant single-family home construction, these homes are generally in the \$400,000 price range and not affordable for low- or moderate-income borrowers. Further, there has not been an affordable housing project in recent years. Renters are also struggling as rents continue to increase. A community contact stated that since 2000, the median rent has increased 24.0% in Wright County while wages decreased 1.0%. There are several mobile home parks in Wright County, which are an alternative to renting because they tend to be more affordable with a cost of \$7,000 to \$8,000 for an older model. However, many of these mobile homes are in need of rehabilitation. Finally, a community contact mentioned that the number of families paying more than 30.0% of their income for housing expenses is increasing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance in the Minneapolis-St. Paul-Bloomington MSA assessment area is excellent.

The bank's qualified investments in the form of donations and community development services enhance credit availability in the assessment area. As previously mentioned in the Institution section, the bank made donations and provided services to organizations that serve a regional area that include this assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS

HMDA Lending. The bank's HMDA lending to low- and moderate-income borrowers is excellent. Table 8 shows the bank's HMDA lending by borrower income levels for 2015 and 2014. Examiners did not evaluate the bank's home improvement or multifamily loans in each year because of limited or no lending for these product types.

TABLE 8										
2015 HMDA Loans by Income Level of Borrower										
<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Home Purchase	7	12.3	14	24.6	13	22.8	23	40.4	0	0.0
Refinance	13	12.7	22	21.6	33	32.4	34	33.3	0	0.0
Home Improvement	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total 2015 HMDA Loans	20	12.6	36	22.6	46	28.9	57	35.8	0	0.0
TABLE 8										
2014 HMDA Loans by Income Level of Borrower										

<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	#	%	#	%	#	%	#	%	#	%
Home Purchase	12	16.2	20	27.0	18	24.3	24	32.4	0	0.0
Refinance	6	9.4	18	28.1	20	31.3	20	31.3	0	0.0
Home Improvement	0	0.0	0	0.0	0	0.0	1	100.0	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Total 2014 HMDA Loans	18	12.9	38	27.3	38	27.3	45	32.4	0	0.0

The bank originated 159 HMDA-reportable loans in 2015 in the Minneapolis-St. Paul-Bloomington MSA assessment area and 139 HMDA-reportable loans in 2014. In 2015, the bank ranked fourteenth out of 347 lenders that reported HMDA loans in the assessment area, and thirteenth out of 321 reporters in 2014. In 2015, the bank's loans contributed to 1.4% of the total HMDA lending volume in the assessment area. The two leading HMDA lenders each year were large, nationally chartered financial institutions that purchased a significant percentage of HMDA loans.

In 2015 and 2014, the bank originated 12.6% and 12.9% of its HMDA loans to low-income borrowers, respectively. Demographic data indicates that 16.4% of families in the assessment area are low income. The bank's lending to low-income borrowers is below demographics but reasonable, given the performance context.

In 2015 and 2014, the bank originated 22.6% and 27.3% of its HMDA loans to moderate-income borrowers, respectively. Demographic data indicates that 19.9% of families in the assessment area are moderate income. The bank's lending to moderate-income borrowers exceeds demographics.

The bank's lending to low- and moderate-income borrowers compares favorably to aggregate lenders. In 2015, aggregate lenders originated 9.9% of loans to low-income borrowers and 22.8% to moderate-income borrowers. In 2014, aggregate lenders originated 10.7% of loans to low-income borrowers and 24.9% to moderate-income borrowers. For low-income borrowers, the bank exceeds aggregate lenders performance for both years. For moderate-income borrowers, the bank is consistent with aggregate lenders in 2015 and exceeds aggregate lenders in 2014. Aggregate lenders in this competitive market include large national banks, regional banks, community banks, credit unions, and mortgage companies.

The bank offers a number of programs through the MHFA that help lower-income individuals (including first-time homebuyers) to purchase or refinance a home. The programs include loans with down payment assistance and affordable interest rates, loans that do not require mortgage insurance, and loans with monthly payment assistance. The bank also offers a variety of federal government-sponsored loan programs to help serve the needs of low- and moderate-income borrowers. These loan programs are responsive to the needs of borrowers in the area.

As previously noted, affordable housing is a concern for the assessment area. Using the assumption that a borrower can afford a home approximately three times annual income, based on the 2015 FFIEC estimated median family income of \$85,700 for the Minneapolis-St. Paul-Bloomington, MN-WI MSA, an individual with the highest income in the low-income bracket (\$42,849) could afford a \$128,547 home. An individual with the highest income in the moderate-income bracket (\$68,559), a borrower could afford a \$205,677 home. According to the 2015 FFIEC census data, the median housing value in this assessment area is \$223,964. Given the performance context, homeownership is challenging for both low- and moderate-income individuals in the assessment area.

Examiners also evaluated the bank's 2013 and 2012 HMDA lending. The distribution of HMDA loans by borrower income for both years is similar to its 2015 and 2014 performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

HMDA Lending. The bank's HMDA lending in the moderate-income tracts is excellent. The following table shows the distribution of the bank's 2015 and 2014 HMDA loans by census tract income level. There are no low-income tracts in the Minneapolis-St. Paul-Bloomington MSA assessment area.

TABLE 9						
2015 HMDA Loans by Income Level of Census Tract						
	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>Loan Type</i>	#	%	#	%	#	%
Home Purchase	2	3.5	54	94.7	1	1.8
Refinance	4	3.9	97	95.1	1	1.0
Home Improvement	0	0.0	0	0.0	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0
Total 2015 HMDA Loans	6	3.8	151	95.0	2	1.3
2014 HMDA Loans by Income Level of Census Tract						
	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
<i>Loan Type</i>	#	%	#	%	#	%
Home Purchase	10	13.5	63	85.1	1	1.4
Refinance	6	9.4	56	87.5	2	3.1
Home Improvement	0	0.0	1	100.0	0	0.0
Multifamily	0	0.0	0	0.0	0	0.0
Total 2014 HMDA Loans	16	11.5	120	86.3	3	2.2

For 2015 and 2014, the bank extended 3.8% and 11.5% of its HMDA loans in the moderate-income tracts, respectively. According to demographics, 6.1% of the families in the bank's assessment area reside in the moderate-income tracts. Of the owner-occupied units in the assessment area, 5.5% are in the moderate-income tracts. The bank is below demographics in 2015 and exceeds demographics in 2014.

The bank's lending in the moderate-income tracts is consistent with aggregate lenders for 2015 and notably exceeds aggregate lenders in 2014. Aggregate lenders extended 3.6% and 3.9% of HMDA loans in the moderate-income tracts in 2015 and 2014, respectively.

The bank's participation in the Homestead Incentive Program also benefits this assessment area because part of the moderate-income tract in Sherburne County is in downtown St. Cloud and includes a core neighborhood. The bank originated HMDA loans where borrowers used this flexible loan program during the evaluation period.

The bank originated HMDA loans in two of the three moderate-income tracts in the assessment area. The bank did not originate any loans in one of the moderate-income tracts in Wright County, which is reasonable. The bank's Monticello branch is approximately 20 miles away from the two moderate-income tracts in the southwestern corner of Wright County. Other financial institutions are conveniently located for borrowers residing in these areas.

The bank originated the majority of its HMDA loans each year in middle-income tracts, which is reasonable because 91.3% of the families in the assessment area reside in middle-income tracts.

Examiners also evaluated the bank's 2013 and 2012 HMDA lending activity. The geographic distribution of the bank's 2013 and 2012 HMDA loans by census tract income level is similar its 2014 performance.

Appendix A

Glossary of Common CRA Terms

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: An activity associated with one of the following five descriptions: (1) affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) community services targeted to low- or moderate-income individuals; (3) activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; (4) activities that revitalize or stabilize low- or moderate-income census tracts, designated disaster areas, or distressed or underserved nonmetropolitan middle-income census tracts; or (5) Neighborhood Stabilization Program (NSP)-eligible activities in areas with HUD-approved NSP plans, which are conducted within two years after the date when NSP program funds are required to be spent and benefit low-, moderate-, and middle-income individuals and census tracts.

Consumer loan: A loan to one or more individuals for household, family, or other personal expenditures. It does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Distressed nonmetropolitan middle-income census tract: A middle-income, nonmetropolitan census tract will be designated as distressed if it is in a county that meets one or more of the following triggers: (1) an unemployment rate of at least 1.5 times the national average, (2) a poverty rate of 20.0% or more, or (3) a population loss of 10.0% or more between the previous and most recent decennial census or a net migration loss of 5.0% or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

Full-scope review: Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender, and income of applicants; the amount of loan requested; and the disposition of the application (i.e., approved, denied, or withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

Low income: Individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

Metropolitan statistical area (MSA): An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle income: Individual income that is at least 80 percent and less than 120 percent of the area median income or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate income: Individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate MSA. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate MSA, the institution will receive a rating for the multistate metropolitan area.

Small loan to business: A loan included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

Small loan to farm: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

Underserved middle-income census tract: A middle-income, nonmetropolitan census tract will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper income: Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)