

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 the 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 CRA performance of Plaza Park State Bank, Waite Park, Minnesota, prepared by the Federal Reserve Bank of Minneapolis, the institution's supervisory agency, as of August 19, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

The CRA evaluation revealed several factors that support the bank's satisfactory CRA performance. First, the bank's loan-to-deposit ratio is reasonable given the credit demands, competition, and demographics of its assessment area. Second, the bank has originated most of its loans to assessment area residents. Third, the bank actively extends loans to low- and moderate-income individuals and small businesses.

The following table indicates the performance level of Plaza Park State Bank, Waite Park, Minnesota, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	PLAZA PARK STATE BANK WAITE PARK, MINNESOTA 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 Income Levels and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	The bank has not received any CRA complaints since the last evaluation.		

DESCRIPTION OF INSTITUTION

Based on its size and financial condition, the bank is able to effectively meet the credit needs of its assessment area. The bank was rated satisfactory in helping to meet the credit needs of its community at its previous CRA evaluation. The bank operates a full-service office in Waite Park, which is located in the St. Cloud, Minnesota, Metropolitan Statistical Area ("MSA"). The bank has only one office and operates an on-site automated teller machine.

According to the June 30, 1996, Report of Condition ("ROC"), the bank has total assets of \$72.8 million and total deposits of \$65.6 million. The bank is not subject to any financial constraints that would inhibit it from effectively meeting the credit needs of its assessment area. According to June 30, 1996, ROC data, the bank's loan portfolio consists of 53% commercial, 25% consumer real estate, 17% consumer, 3% agricultural, and 2% other loans. The bank's loan portfolio reflects the demand level for specific types of loans in the assessment area.

The bank offers a variety of loan products that serve the credit needs of the community, primarily products for commercial borrowers, including Small Business Administration loans. The bank also extends a wide array of consumer loans for automobile, home improvement, mobile home, and debt consolidation purposes. In addition, the bank offers a home equity line of credit. The bank currently provides conventional and Federal Housing Administration consumer real estate financing.

DESCRIPTION OF PLAZA PARK STATE BANK'S ASSESSMENT AREA

The bank's assessment area includes portions of four Minnesota counties: Stearns, Benton, Sherburne, and Wright. This area also includes portions of the St. Cloud MSA and the Minneapolis/St. Paul MSA. The bank's one office is located in Waite Park, Minnesota, in census tract 5, a middle-income tract. According to the 1990 census, the assessment area had a population of 120,443.

Since the bank is located in an MSA, it is subject to the Home Mortgage Disclosure Act ("HMDA").

CRA divides income into four categories: low, moderate, middle, and upper. The categorization of a borrower or geography's income is determined relative to the MSA median family income. Pursuant to CRA's definitions, low-income individuals have incomes of less than 50% of the MSA median family income, while moderate-income individuals have incomes of at least 50% but less than 80% of this amount. The regulation defines a middle-income individual as one with an income of at least 80% but less than 120% of the MSA median income. An individual with an income that is 120% or more of the MSA median income is considered upper income. Census tracts are classified using similar categories based on the level of the median family income in the geography. The 1990 census indicates the median family incomes for the St. Cloud MSA and Minneapolis/St. Paul MSA are \$32,693 and \$43,063, respectively. According to 1995 data, the median family incomes for the St. Cloud MSA and Minneapolis/St. Paul MSA are \$39,400 and \$51,000, respectively.

The bank's assessment area consists of 4 tracts located in the Minneapolis/St. Paul MSA (303, 313, 314, and 1003) and 26 tracts located in the St. Cloud MSA.

Of the 30 census tracts in the bank's assessment area, 2 tracts are low income, 23 are middle income, and 5 are upper income. According to the 1990 census, the low-income tracts have a total population of 1,281, the middle-income tracts have a total population of 97,163, and the upper-income tracts have a total population of 21,999. There are 263 households in the low-income tracts and only 10 owner-occupied households.

Tract 314, located in the Minneapolis/St. Paul MSA, encompasses a Minnesota State Corrections facility. As such, its population is primarily prison inmates. It has no households and an income level listed as 0% of the MSA

median family income. Tract 1 is the other low-income tract and is part of downtown St. Cloud. This area is commercialized and has a very small population.

Tracts 303, 313, and 1003 in the Minneapolis/St. Paul MSA, and 201, 202.01, 202.02, 203, 3.01, 3.02, 5, 6.01, 6.02, 7.01, 8.01, 9.01, 10.01, 102, 103, 104.01, 104.03, 112, 113.01, and 113.02 are middle-income tracts. These tracts are dispersed throughout the assessment area. The median family income levels of the 23 tracts range from \$27,197 to \$41,976.

Tracts 2, 4, 101, 113.03, and 114 are upper-income tracts. These tracts are clustered in the central portion of the assessment area and in the western suburbs of St. Cloud. The median family income levels of the five tracts range from \$40,069 to \$52,264.

According to 1990 U.S. census data, the bank's assessment area median family income is \$35,362, while its median household income is \$29,388. There are 28,131 families and 39,696 households in the bank's assessment area. Approximately 6% of the families and 12% of the households in the area have incomes below the poverty level. The following table summarizes the distribution of family and household income for the assessment area.

ASSESSMENT AREA POPULATION DISTRIBUTION BY INCOME LEVEL				
Unit of Measure	Low Income	Moderate Income	Middle Income	Upper Income
Households Compared to Median Household Income	20.6%	16.3%	21.2%	41.8%
Families Compared to Median Family Income	15.7%	17.8%	26.6%	39.9%

St. Cloud's economy is considered one of the fastest-growing economies in Minnesota. St. Cloud is the county seat of Stearns County and functions as a commercial and business hub for Stearns, Benton, and Sherburne counties. The community has a diverse economy with its four major industries being service, manufacturing, government, and retail. The city is rapidly evolving into a retail center with many new shopping establishments having located in the area within the past five years.

Housing has generally kept pace with the area's growth but has been dedicated more to higher-income homes. According to a community contact, it is difficult to find starter homes in the \$65,000 to \$80,000 price range because few homes in this price range are being built. In addition, apartment rentals are very expensive, and there are virtually no rental homes available.

Examiners relied on information received from several members of the community, including civic leaders, to complete the CRA evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall CRA performance meets the standards for satisfactory performance. The criteria detailed below was reviewed in determining this rating.

Loan-to-Deposit Ratio Analysis

The bank's loan-to-deposit ratio is reasonable. As such, the bank's lending meets the standards for satisfactory performance. The quarterly average of the bank's loan-to-deposit ratio since the previous evaluation is 61%. The following chart, based on quarterly ROC data, reflects that the loan-to-deposit ratio has increased since the last evaluation.

Quarter Ending	Net Loans (in thousands)	Deposits (in thousands)	Loan-to-Deposit Ratio
June 30, 1996	\$40,894	\$65,635	62%
March 31, 1996	\$38,532	\$65,199	59%
December 31, 1995	\$38,666	\$63,173	61%
September 30, 1995	\$37,981	\$61,574	62%
June 30, 1995	\$37,433	\$60,072	62%
March 31, 1995	\$34,834	\$60,984	57%

The bank's net loans have increased approximately \$5 million since the previous evaluation. The bank attributes this, in some degree, to its active marketing efforts. Also, the bank has been offering an attractive fixed interest rate for many of its consumer loans. Furthermore, deposits have increased since the previous evaluation due to additional customers who have moved their accounts from competitors. The bank's loan-to-deposit ratio does not reflect a significant number of residential real estate loans sold by the bank on the secondary market since the previous evaluation.

The table below compares other banks in the assessment area with the subject bank in terms of total assets and quarterly average loan-to-deposit ratio.

Institution Name and Location	Total Assets (June 30, 1996) (in thousands)	Quarterly Average Loan-to-Deposit Ratio
Plaza Park State Bank Waite Park, Minnesota	\$ 72,774	61%
Competitor A	\$211,431	78%
Competitor B	\$319,007	71%
Competitor C	\$264,442	88%

In addition, several nonbank entities and branches of large financial institutions provide competition for loans in the St. Cloud area. Many of these institutions do not compete with the bank for deposit customers.

The bank's 61% loan-to-deposit ratio is lower than its competitors. However, as noted above, the bank sold a substantial amount of secondary market real estate loans since the previous evaluation and these loans are not reflected in the loan-to-deposit ratio. Considering the strong competition for loans, the bank's size compared with its direct competitors, and its sale of secondary market real estate loans, the loan-to-deposit ratio is reasonable and meets the standards for satisfactory performance.

Lending in Assessment Area

The bank's lending in its assessment area exceeds the standards for satisfactory performance. Based on a review of a statistical sample of bank loans originated in the past six months, the bank made a substantial majority of loans inside the assessment area. Examiners reviewed the bank's three major loan product categories (small business, consumer, and residential real estate) by analyzing the number and dollar amount of new loans originated inside and outside the assessment area.

The table below shows the sizable percentage of the total number and dollar volume of reviewed loans that are to borrowers inside the assessment area.

PERCENTAGE OF LOANS IN THE ASSESSMENT AREA		
Major Loan Product Lines	Total Number of Loans	Total Amount of Loans
Small Business	96%	97%
Consumer	90%	91%
Residential Real Estate	93%	89%

The bank's level of small business lending within its assessment area is significant considering that these loans represent 53% of the bank's loan portfolio. In addition, St. Cloud is a very competitive small business and consumer banking market.

The bank is one of the smaller lenders in the St. Cloud MSA and the assessment area. The bank's loans accounted for about 1.5% of the HMDA reportable activity in the St. Cloud MSA and the assessment area during 1994 and about 1% in 1995.

In 1995, the bank reported 61 HMDA loans. Of these loans, 47 were to residents of the assessment area. The pattern is similar for 1994; the bank reported 73 HMDA loans that year, of which 68 were to assessment area residents.

As the data shows, the bank's lending activity is highly concentrated within the assessment area. Accordingly, the bank's lending exceeds this category's standards for satisfactory performance.

Lending to Borrowers of Different Income Levels and to Businesses of Different Sizes

The bank's lending to borrowers of different income levels and to businesses of different sizes exceeds the standards for satisfactory performance. The bank provides a major portion of its loans to low- and moderate-income borrowers and to small businesses and farms. The income level of consumer and residential real estate borrowers is determined based on the MSA median family

income for the MSA in which the consumer resides. The following chart illustrates the bank's distribution of loans in its assessment area by income level.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVEL*				
	Low Income	Moderate Income	Middle Income	Upper Income
Consumer:				
Percentage of Total Loans	40%	26%	17%	17%
Percentage of Total Loan Amounts	32%	22%	14%	32%
Residential Real Estate:				
Percentage of Total Loans	9%	25%	23%	43%
Percentage of Total Loan Amounts	4%	28%	18%	50%
*Income level is determined based on the 1995 median family incomes for the Minneapolis/St. Paul MSA (5210) and the St. Cloud MSA (6980), which are \$51,000 and \$39,400, respectively.				

The data in the table indicates that the bank provided 66% of its consumer and 34% of its residential real estate loans to low- and moderate-income individuals. Overall, these percentages compare very favorably to the percentage of low- and moderate-income households and families in the bank's assessment area. As previously mentioned, approximately 37% of the assessment area's households and 33% of its families are classified as low and moderate income.

The bank made loans to 26 low- and moderate-income individuals in the community in 1994. These loans constituted 38% of the bank's total loans that year. Based on St. Cloud MSA aggregate data for the bank's community that year, MSA lenders made 29% of all originated loans to low- and moderate-income individuals. In 1995, the bank made 22 of 52 loans (42%) to low- and moderate-income individuals in the community. Aggregate lenders in the bank's St. Cloud MSA community made 28% of their total loans to low- and moderate-income individuals.

CRA defines small businesses as those with less than \$1 million in gross annual revenues. The bank has an excellent record of lending to small businesses in the assessment area. Loans to small businesses comprise 82% of the reviewed commercial loans and 71% of the reviewed total commercial loan amounts. Even for large loans that range from \$250,000 to \$1,000,000, both of the reviewed borrowers were small businesses. It should be noted that the bank made 82% of the reviewed loans in amounts less than \$100,000.

Based on the significant level of consumer lending to low- and moderate-income borrowers in the community and the number of small business loans extended, the bank exceeds the standards for satisfactory performance in this category.

Geographic Distribution of Loans

The geographic distribution of loans in the assessment area is reasonable and meets the standards for satisfactory performance. As discussed, the bank's assessment area includes 2 low-income, 23 middle-income, and 5 upper-income census tracts. The vast majority of the assessment area's residents live in middle-income census tracts. Approximately 81% of the population live in these tracts. The low-income tracts contain only 1,281 residents, or 1% of the assessment area's residents, and the upper-income tracts contain 18% of the assessment area's residents.

Based on our loan sample, the bank made no consumer, residential real estate, or small business loans in the low-income census tracts. As discussed, very few residents live in these tracts, and there are only 10 owner-occupied households in these tracts. In addition, the residents of one of these tracts are prison inmates who would not be considered potential borrowers. The bank made the large majority of its loans in the middle-income tracts.

Approximately 89% of the residential real estate loans sampled and 86% of the total amount of these loans went to residents of middle-income census tracts.

For consumer loans, the bank made 82% of the loans and 78% of the total loan amounts in middle-income census tracts. In addition, the bank made approximately 72% of the small business loans and 81% of the total small business loan amounts in middle-income census tracts.

The bank made fewer loans in the upper-income census tracts in its assessment area. The bank originated 11% of its residential real estate, 18% of its consumer, and 28% of its small business loans in upper-income census tracts. The bank made the following percentages of total loan amounts for its residential real estate, consumer, and small business loans, respectively, in upper-income census tracts: 14%, 22%, and 19%.

The bank's distribution of loans among the types of census tracts closely approximates the population distribution in those tracts. The percentage of residential real estate and consumer loans in middle-income tracts almost equals the percentage of the population living in those tracts. Although the bank made a smaller percentage of small business loans in middle-income tracts compared with the other loan types, the bank still made 72% of these loans within the middle-income tracts.

Because the bank's distribution of loans compares closely with the assessment area's population distribution, the bank's distribution of loans is reasonable and meets the standards for satisfactory performance.

General

The evaluation did not reveal any violations of the substantive provisions of the fair housing and fair lending laws and regulations. The evaluation revealed violations of the technical aspects of HMDA. Bank management agreed to correct these violations. In addition, the bank has not received any CRA complaints since the last evaluation.

PUBLIC DISCLOSURE

August 19, 1996

Date of Evaluation

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Plaza Park State Bank

Name of Depository Institution

092762620000

Identification Number of Institution

Waite Park, Minnesota

Address of Institution

Federal Reserve Bank of Minneapolis
250 Marquette Avenue
Minneapolis, Minnesota 55401-2171

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.