## 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 Liberty State Bank, St. Paul, Minnesota, prepared by the Federal Reserve Bank of Minneapolis, the institution's supervisory agency, as of August 11, 1997. 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 rating the bank's CRA performance satisfactory. First, the bank's net loan-to-deposit ratio is reasonable and comparable to other financial institutions located within the bank's assessment area. Second, it has originated a slight majority of its loans to assessment area residents and businesses. Third, it extends consumer loans to individuals with low to moderate incomes and to small businesses. Finally, it originates loans to borrowers residing throughout its assessment area. The somewhat limited level of lending in the assessment area means the assessment of the distribution of the bank's loans between borrowers of varying income levels, businesses of different sizes, and geographies of different income levels is based on a review of only a slight majority of the bank's loans. Accordingly, it is difficult to place substantial weight on these distribution categories.

## DESCRIPTION OF INSTITUTION

The bank is able to fulfill area credit needs effectively. The previous CRA evaluation, conducted as of December 18, 1995, revealed that the bank's performance in meeting community credit needs was satisfactory. The bank operates one full-service office in St. Paul, Minnesota. The main office is in census tract ("CT") 334, a low-income area. The bank operates two deposit-taking automated teller machines ("ATM"), located at the bank office and at a convenience store, and three cash-dispensing ATMs, which are located in CTs 337, 338, and 352. CT 337 is a low-income area, CT 338 is a moderate-income area, and CT 352 is a middle-income area. Since the last evaluation, the bank added the ATM at the convenience store, which is located in CT 334. Its office is centrally located in the assessment area.

The bank's size does not restrict its ability to fulfill the credit needs of residents and businesses within the assessment area. According to the June 30, 1997, Report of Condition ("ROC"), the bank had total assets of approximately $245 million. The bank's loan portfolio has steadily increased since December 31, 1995. The bank's quarterly loan and deposit growth rates are set forth in the following table.

| QUARTERLY GROWTH RATES | | |
|---|---|---|
| **Period** | **Loans** | **Deposits** |
| January 1, 1996, to March 31, 1996 | 2.1% | (2.9%) |
| April 1, 1996, to June 30, 1996 | 2.3% | ( .2%) |
| July 1, 1996, to September 30, 1996 | 3.1% | 4.1% |
| October 1, 1996, to December 31, 1996 | .9% | 4.6% |
| January 1, 1997, to March 31, 1997 | 1.1% | .7% |
| April 1, 1997, to June 30, 1997 | 4.0% | (.2%) |

The June 30, 1997 ROC indicates that the bank is primarily a commercial lender; approximately 18% of its portfolio is commercial loans and 30% is commercial real estate loans. The balance of the bank's loan portfolio is composed of 30% consumer real estate and 20% consumer loans. The composition of the loan portfolio remained relatively stable since the last evaluation and appears to reflect the level of demand for specific types of credit by residents and businesses in the assessment area.

The bank offers a variety of loan products to fulfill the credit needs of residents and businesses within its assessment area. It extends conventional consumer, residential real estate, commercial, and agricultural loans for a variety of purposes. The bank's residential real estate loan products include construction loans and fixed-rate balloon loans with one- to seven-year maturities. It extends home purchase, refinance, home improvement, and home rehabilitation loans. The bank offers loans secured by single- and multi-family dwellings.

In addition to conventional loan products, the bank participates in one government-sponsored home loan program. For residential real estate loan borrowers, the bank offers Federal Housing Agency ("FHA") Title I loans. Bank management's decision not to originate residential real estate loans through programs that benefit low- and moderate-income people reflects its philosophy that low down payment requirements ultimately harm these borrowers. Consequently, rather than offer low down payment loans, the bank counsels low- and moderate-income people to establish savings plans. For potential borrowers inquiring specifically about FHA or Department of Veterans Affairs loans, the bank will refer applicants to another creditor.

To serve consumer credit needs, the bank offers closed- and open-end credit products. The bank is willing to extend small, consumer loans. Its open-end consumer credit products include personal ready reserve and home equity lines of credit. Finally, although it does not extend credit card loans, the bank provides its customers applications for MasterCard and VISA credit cards from another creditor.

To serve commercial credit needs, the bank offers commercial loans for a variety of purposes. It originates closed- and open-end commercial loans. The bank also extends loans to municipalities and issues letters of credit for local businesses. For qualified commercial borrowers, the bank offers loans through the Small Business Administration ("SBA") loan programs. Bank management is familiar with loan guarantee programs offered by other government agencies.

The bank is located in the Minneapolis-St. Paul, Minnesota, Metropolitan Statistical Area ("MSA"); consequently, it is subject to the Home Mortgage Disclosure Act ("HMDA"). Pursuant to HMDA, the bank is required to report information about home purchase and home improvement loan applications and originations. The HMDA data show that the bank is not a leading home purchase or home improvement lender in the MSA. The bank reported 205 and 262 applications in 1995 and 1996, respectively. Its applications activity represented 1% of the applications reported by all lenders in the assessment area. The 1995 and 1996 HMDA data show that the bank originated 179 and 226 reportable loans, respectively. This activity represented 1% of the MSA activity in both 1995 and 1996.

## DESCRIPTION OF LIBERTY STATE BANK'S ASSESSMENT AREA

The bank has defined its assessment area as including all or sections of five counties in east-central Minnesota. The bank's entire assessment area is located in the Minneapolis-St. Paul, Minnesota, MSA, which includes 11 counties in Minnesota and two counties in Wisconsin. Ramsey County is entirely in the assessment area while only a southeastern section of Anoka County, a north-central section of Dakota County, an eastern section of Hennepin County, and a southwestern section of Washington County are in the assessment area. The assessment area's 1990 population was 682,614, representing 27% of the MSA's population. According to the Metropolitan Council's 1994 estimates, the population of the MSA's seven central Minnesota counties - Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington - was 2,415,207, or 5.9%, higher than in 1990. The estimates show that the number of households increased 6.2% since 1990. The number of Ramsey County households increased an estimated 2.3% between 1990 and 1994.

The table below describes the bank's assessment area by CTs.

| ASSESSMENT AREA | |
|---|---|
| **County** | **CT** |
| Ramsey | All CTs |
| Anoka | 510.01, 510.02, 511.01, 511.02, 511.03, 512.01, 512.02, 512.03, 512.04, 512.05, 513.01, 513.02, 513.03, 513.04, 514.00, 515.01, 515.02 |
| Dakota | 601.01, 601.02, 601.03, 601.04, 601.05, 602.01, 602.02, 603.01, 603.02, 604.01, 604.02, 605.01, 605.02, 605.03, 606.01, 606.02 |
| Hennepin | 5.00, 6.01, 6.02, 11.00, 12.00, 17.00, 18.00, 19.00, 24.00, 25.00, 26.00, 30.00, 31.00, 36.00, 37.00, 38.00, 39.00, 40.00, 49.00, 50.00, 201.01, 201.02 |
| Washington | 710.03, 713.01, 713.02 |

According to 1990 U.S. census data, the bank's assessment area has 19 low-income, 52 moderate-income, 101 middle-income, and 22 upper-income CTs. Of the total tracts, 10% are low income, 27% are moderate income, 52% are middle income, and 12% are upper income.

CRA divides income levels into four categories: low, moderate, middle, and upper. Because the bank's assessment area is located in an MSA, the categorization of a borrower or area's income is determined relative to the MSA median family income. Pursuant to the 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 middle-income individuals as people with an income of at least 80% but less than 120% of the MSA median family income. Individuals with incomes of 120% or more than the MSA median family income are classified as upper-income persons. According to the 1997 updated data, the Minneapolis-St. Paul MSA median family income is $57,300; this figure is used to classify income levels of borrowers. CTs are classified using similar categories based on the level of the median family income in the geography compared with the 1990 MSA median family income of $43,063.

According to the 1990 U.S. Census data, the assessment area's median family income is $39,667, approximately 92% of the MSA median family income. The median household income for the assessment area is $31,853. There were 170,633 families and 268,969 households within the assessment area. Approximately 7.6% of the families and 10.1% of the households have incomes below the poverty level. The percentage of such families is higher than the MSA and statewide percentages of 5.7% and 7.3%, respectively, while the percentage of such households in the assessment area is lower than the statewide percentage of 10.5% and higher than the MSA average of 7.9%. The distribution of family and household income for the assessment area is summarized in the following table.

| ASSESSMENT AREA POPULATION DISTRIBUTION BY INCOME LEVEL | | | | |
|---|---|---|---|---|
| Unit of Measure | Low Income | Moderate Income | Middle Income | Upper Income |
| Families Compared to Median Family Income | 21% | 20% | 27% | 32% |
| Households Compared to Median Household Income | 26% | 19% | 22% | 33% |

The assessment area includes 83,743 people over 65 years of age. In addition, 162,870 people are under 17. These two age groups represent 36% of the assessment area's population.

As previously discussed, the bank's assessment area includes 194 CTs in five metropolitan counties. The following table describes the assessment area's population and income distribution by CT. The assessment area's low- and moderate-income CTs are generally contiguous, stretching from east to west through St. Paul's downtown area. The low- and moderate-income areas, corresponding populations, tract median family income, and tract median family income as a percentage of the MSA median family income are set forth in the table.

| ASSESSMENT AREA LOW- AND MODERATE-INCOME CTs CHARACTERISTICS | | | |
|---|---|---|---|
| Census Tract | Number of Families | Median Family Income | Tract Median Family Income as a Percentage of MSA Median Family Income |
| Ramsey | | | |
| Low | | | |
| 305 | 1,229 | $16,524 | 38.4 |
| 313 | 473 | $18,594 | 43.2 |
| 326 | 711 | $21,214 | 49.3 |
| 327 | 516 | $20,257 | 47.0 |
| 328 | 180 | $18,438 | 42.8 |
| 329 | 353 | $ 9,164 | 21.3 |
| 330 | 372 | $16,200 | 37.6 |
| 331 | 327 | $18,958 | 44.0 |
| 334 | 537 | $19,087 | 44.3 |
| 335 | 746 | $20,547 | 47.7 |
| 336 | 224 | $12,857 | 29.9 |
| 337 | 301 | $ 9,810 | 22.8 |
| 340 | 411 | $17,455 | 40.5 |
| 374.04 | 0 | - | - |
| 420.01 | 617 | $21,291 | 49.4 |
| 428.98 | 0 | - | - |
| Moderate | | | |
| 304 | 1,133 | $31,799 | 73.8 |
| 306.01 | 1,033 | $25,881 | 60.1 |
| 307.04 | 1,042 | $27,546 | 64.0 |
| 308 | 1,097 | $31,476 | 73.1 |

| ASSESSMENT AREA LOW- AND MODERATE-INCOME CTs CHARACTERISTICS | | | |
|---|---|---|---|
| **Census Tract** | **Number of Families** | **Median Family Income** | **Tract Median Family Income as a Percentage of MSA Median Family Income** |
| 309 | 779 | $24,755 | 57.5 |
| 310 | 894 | $22,279 | 51.7 |
| 311 | 958 | $33,289 | 77.3 |
| 314 | 620 | $21,571 | 50.1 |
| 315 | 691 | $21,950 | 51.0 |
| 316 | 849 | $28,005 | 65.0 |
| 317 | 1,760 | $22,432 | 52.1 |
| 318.01 | 1,018 | $32,500 | 75.5 |
| 320 | 696 | $30,417 | 70.6 |
| 321 | 410 | $32,083 | 74.5 |
| 324 | 609 | $22,062 | 51.2 |
| 325 | 906 | $24,286 | 56.4 |
| 332 | 336 | $32,734 | 76.0 |
| 338 | 424 | $27,083 | 62.9 |
| 339 | 322 | $22,115 | 51.4 |
| 344 | 587 | $23,977 | 55.7 |
| 345 | 912 | $28,045 | 65.1 |
| 346.01 | 876 | $32,870 | 76.3 |
| 347.02 | 992 | $33,810 | 78.5 |
| 354 | 535 | $31,844 | 73.9 |
| 359 | 202 | $26,200 | 60.8 |
| 360 | 319 | $26,458 | 61.4 |
| 361 | 275 | $24,821 | 57.6 |
| 368 | 607 | $29,635 | 68.8 |
| 369 | 469 | $26,652 | 61.9 |
| 371 | 1,080 | $28,356 | 65.8 |
| 372 | 1,391 | $25,677 | 59.6 |
| 376.02 | 762 | $23,333 | 54.2 |
| 408.02 | 96 | $24,868 | 57.7 |
| 411.03 | 533 | $31,683 | 73.6 |
| Anoka | | | |
| Low | | | |
| 512.04 | 15 | $19,844 | 46.1 |
| Moderate | | | |
| 512.01 | 942 | $32,399 | 75.2 |
| 513.03 | 180 | $22,105 | 51.3 |
| 515.01 | 718 | $32,149 | 74.7 |
| Dakota | | | |
| Moderate | | | |
| 601.01 | 1,044 | $34,349 | 79.8 |
| 603.01 | 1,025 | $31,778 | 73.8 |
| 604.01 | 699 | $32,743 | 76.0 |

| ASSESSMENT AREA LOW- AND MODERATE-INCOME CTs CHARACTERISTICS | | | |
|---|---|---|---|
| **Census Tract** | **Number of Families** | **Median Family Income** | **Tract Median Family Income as a Percentage of MSA Median Family Income** |
| Hennepin | | | |
| Low | | | |
| 38 | 380 | $20,278 | 47.1 |
| 49 | 333 | $11,820 | 27.4 |
| Moderate | | | |
| 5 | 551 | $33,388 | 77.5 |
| 11 | 501 | $30,104 | 69.9 |
| 17 | 444 | $25,417 | 59.0 |
| 18 | 819 | $23,401 | 54.3 |
| 19 | 588 | $33,581 | 78.0 |
| 24 | 529 | $24,931 | 57.9 |
| 25 | 491 | $24,784 | 57.8 |
| 26 | 540 | $30,051 | 69.8 |
| 31 | 434 | $30,565 | 71.0 |
| 39 | 68 | $22,045 | 51.2 |
| 40 | 1,085 | $29,355 | 68.2 |
| Washington | | | |
| Moderate | | | |
| 713.01 | 283 | $32,118 | 74.6 |

As the table illustrates, the bank's assessment area has 19 low-income CTs. These tracts represent 6% of the assessment area's population. The 52 moderate-income CTs represent 23% of the assessment area's population. The balance of the assessment area is composed of 101 middle-income and 22 upper-income CTs that represent 58% and 13% of the assessment area's population, respectively. Of the middle-income areas, 15 have median family incomes between 80% and 85% of the MSA median family income.

Housing in the assessment area is expensive relative to income levels. According to the 1990 U.S. census, the median value of the assessment area's housing was $81,837. The median value of housing in the MSA was $87,982. According to the St. Paul Area Association of Realtors and the Regional Multiple Listing Service data, as published in the *St. Paul Pioneer Press*, during the first seven months of 1997, the median sale price of homes in St. Paul was $82,900, representing a 4.3% increase from the same period in 1996. The number of home sales in St. Paul increased 6% between these periods. According to the same data, competition for homes in the St. Paul neighborhoods of Macalester-Groveland, Merriam Park, and Highland Park is fierce, but competition in the city's eastern districts is less keen as shown in the following table.

| St. Paul Districts | Median Sales Prices | Percentage Change |
|---|---|---|
| Midway | $ 77,900 | 6.9 |
| Merriam Park | $123,000 | 17.0 |
| Macalester-Groveland | $120,000 | 1.7 |
| Highland Park | $127,900 | (1.5) |
| Como | $ 91,000 | 1.1 |
| Central | $ 58,500 | 4.3 |
| Crocus Hill | $167,000 | 4.4 |
| West | $ 69,900 | 17.5 |
| Westside | $ 67,900 | 2.9 |
| Phalen | $ 70,300 | 1.1 |
| Hillcrest/Dayton's Bluff | $ 74,500 | 4.2 |
| Southeast | $ 99,000 | 0.0 |
| Downtown | $ 82,900 | 4.3 |

According to community contacts, the housing stock in the assessment area varies dramatically. One contact stated the residential neighborhoods near the bank show significant changes from block to block.

Housing in the assessment area is more expensive relative to income levels than in the MSA. At the last census, the housing affordability ratio for the assessment area was 38.9% while it was 41.4% for the MSA. The housing affordability ratio is calculated by dividing an area's median family income by the median housing value.

According to the 1990 census data, the bank's assessment area has 167,289 owner-occupied dwellings, which represent 59% of the total number of housing units in the area. The number of owner-occupied dwellings in the assessment area represents 25% of such housing in the MSA. The percentage of owner-occupied housing in the assessment area is less than that in the MSA, in which 65% of dwellings are owner-occupied. The assessment area has a higher percentage of owner-occupied dwellings valued $60,000 or less and fewer valued at over $150,000 than the MSA.

The number of owner-occupied housing units in the assessment area's low-income CTs is low. According to 1990 census data, 5.5% of the assessment area's housing units are in low-income CTs. Within the low-income CTs, 25.5% of the housing is owner-occupied while 65.4% is renter-occupied. The distribution of owner-occupied housing is higher in other parts of the assessment area. The percentage of owner-occupied housing in moderate-income CTs is 18.8%, middle-income CTs is 62.6%, and upper-income CTs is 16.2%. In these areas, the percentage of renter-occupied housing is 31.9%, 51.9%, and 6.2%, respectively.

The following table shows the distribution of total housing units and owner-occupied units among census tracts of various income levels.

| Distribution of Housing Units | | | | |
|---|---|---|---|---|
| | **Total Housing Units** | **Percentage of Assessment Area Total** | **Owner-Occupied Units** | **Percentage of Assessment Area Total** |
| Low income | 15,704 | 6 | 4,008 | 2 |
| Moderate income | 68,256 | 24 | 31,469 | 19 |
| Middle income | 164,784 | 58 | 104,782 | 63 |
| Upper income | 34,388 | 12 | 27,030 | 16 |
| Total | 283,132 | 100 | 167,289 | 100 |

As shown above, the low- and moderate-income tracts have a lower percentage of owner-occupied housing units than of total housing units relative to the total assessment area.

The gross median rent in the assessment area is $453 per month, according to census data. This figure is only slightly lower than the MSA's gross median rent of $478. The number of people who spend more than 30% of their income on rent is 42.6% in the assessment area, but is only 39.8% in the MSA. Of the housing units in the assessment area, 35.5% were built before 1950. This compares to 26.9% for the assessment area. This probably reflects the overall low income level in the assessment area as compared to the MSA.

The area immediately surrounding the bank is a diverse mixture of small businesses (industrial, wholesale, and retail) and residential properties. The residents are similarly diverse; there are many students, elderly, blue-collar workers, and professionals residing in the part of the assessment area nearest the bank. Six liberal arts colleges and universities are also located near the bank. According to the census data, 1.6% of the assessment area's population resides in college dormitories. According to bank management, the elderly have few direct credit needs, but do request loans that they cosign for family members.

As Minnesota's state capital, St. Paul has a high number of government jobs. According to the August 1996 Corporate Report, the State of Minnesota was the Twin Cities' largest employer in 1995. According to 1996, U.S. Bureau of Statistics government establishment-employment represented 14% of the MSA's employment. According to Regional Economic Information System data, between 1990 and 1994, the level of government establishment employment increased 5.6%. According to bank management, the number of city employees residing within St. Paul's city limits has declined. The St. Paul City Council disclosed a report stating that in 80% of city departments and offices, the number of employees living in St. Paul decreased between May 1994 to March 1997. According to the report, the number of city employees who reside within city limits dropped from 47.4% to 43.4%. Apparently, approximately 10 years ago between 80% and 90% of city employees resided in St. Paul. Bank management stated that now only two of every 10 city employees live in St. Paul, and the number continues to decline. The bank president stated that the flight of government employees to the suburbs is one of the critical problems facing St. Paul.

The flight of people from the city to the suburbs is merely a symptom of another significant problem. According to bank management and community contacts, the crime rate in the inner city is high and must be lowered in order to attract residents to the city. Bank management indicated that the crime rate has dropped, but the juvenile delinquency rate has increased. Information from a county office shows that juvenile offenses increased 23% during comparable time periods in 1993 and 1994. Overall, juvenile arrests increased 35% between 1993 and 1994. The city has also experienced an increase in the severity of crimes committed by juveniles. Bank management and community contacts indicated these issues must be addressed before more traditional economic development will occur.

The bank's assessment area includes a large and growing immigrant population. Most of the immigrants residing in the bank's assessment area are from Southeast Asia. Between 1980 and 1990, the population of Asians in Ramsey County increased by 120%. Many of these people are Hmong; estimates suggest that 80% to 90% of the Asians residing in St. Paul are Hmong. Due to cultural and language differences, Hmong people have difficulty finding employment; consequently, many have low incomes. According to a bank employee, the Hmong residents in the assessment area have credit needs, but historically have not used credit. Also, despite low incomes, Hmong people are savers, who are willing to provide financial assistance to other members of their community. Due to lack of funds for down payments on residential real estate, many seek FHA loans.

According to 1993 County Business Patterns data, 93% of the MSA's business establishments have between one and 49 employees. For Ramsey County, the dispersion of business establishments by size is described in the following table.

| **RAMSEY COUNTY BUSINESS ESTABLISHMENTS BY SIZE** | | | |
|---|---|---|---|
| **Size by Number of Employees** | **1991** | **1993** | **Percentage Change** |
| 1 through 4 | 5,759 | 5,944 | 3 |
| 5 through 9 | 2,462 | 2,506 | 1 |
| 10 through 19 | 1,766 | 1,866 | 5 |
| 20 through 49 | 1,225 | 1,349 | 10 |
| 50 through 99 | 479 | 482 | 0 |
| 100 through 249 | 275 | 298 | 8 |
| 250 through 499 | 56 | 78 | 39 |
| 500 through 999 | 37 | 33 | (10) |
| 1,000+ | 18 | 21 | 16 |
| Total | 12,077 | 12,577 | 4 |

As the data show, the number of Ramsey County business establishments has increased. Most of the growth was in small- to medium-sized business establishments.

The bank operates in a very competitive market. Although none of the local regional banks have corporate headquarters in St. Paul, many operate branch offices in the assessment area. These financial institutions include Norwest Bank Minnesota, N.A., Minneapolis; First Bank National Association, Minneapolis; and TCF National Bank, Minneapolis. Nonlocal regional financial institutions operating offices in the assessment area are Firstar Bank of Minnesota, N.A., St. Paul. Within the assessment area, the bank also competes with Norwest Mortgage, Des Moines, Iowa; Burnett Home Loans, Edina, Minnesota; Inland Mortgage Group, Indianapolis, Indiana; TCF Mortgage Corporation, Minneapolis; North American Mortgage Company, Santa Rosa, California; and Green Tree Financial, St. Paul.

Bank management stated that the bank's primary competitors are community banks, motor vehicle dealerships, and credit unions. The competitor community banks are Cherokee State Bank of St. Paul, St. Paul; The Midway National Bank of St. Paul, St. Paul; Western Bank, St. Paul; and University National Bank, St. Paul. Riverside Bank, Minneapolis, also competes for small business loans with the bank.  Since St. Paul has a large number of government jobs, credit unions are a significant competitor for the bank.

As previously discussed, the bank is located in the MSA and subject to HMDA's reporting requirements. Financial institutions reporting HMDA-reportable activity in the assessment area totaled 267 and 346 in 1995 and 1996, respectively.  In 1996, the bank's reportable applications and loans ranked 23rd and 21st in the assessment area.  No one lender dominates the residential real estate loan market in the assessment area; however, the five institutions that reported the most applications represented 34% of all applications in the assessment area.  The five institutions that reported the most loan originations represented 36% of all reportable loans extended in the assessment area.

This evaluation reflects information from community contacts.  Examiners contacted grassroots organizations, community-based development or financial intermediaries, and government offices to discuss community credit needs and development projects.  The community contacts typically identified one area, Frogtown, near the bank's office that is declining.  The contacts agreed that the housing stock in Frogtown is deteriorating and that too many homes in that area are owned by absentee landlords.  According to the contacts, absentee landlords generally do not reinvest profits in their residential properties; consequently, the deterioration of Frogtown's housing stock is expected to continue.

Frogtown also needs economic development projects.  Currently, St. Paul is developing an industrial park in Frogtown.  When this park is completed in approximately four years, it will attract new employers to the area and be a much-needed source of jobs.  According to the community contacts, Frogtown also needs retail stores, such as hardware, clothing, and grocery stores.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs of its assessment area is satisfactory.  Most of the analysis on the following pages is based on 155 consumer, 765 motor vehicle, 94 home improvement, 66 consumer real estate, and 162 small business loans that the bank originated to date in 1997.  The following criteria were analyzed to determine the bank's CRA rating:  loan-to-deposit ratio, credit extended inside compared to credit extended outside the assessment area, loans to borrowers of different income levels and to businesses of different sizes,  loans to borrowers in different geographies, and general information.

The bank's overall rating primarily reflects the general lending activity in the assessment area.  The bank originated 743 of  the 1,242 sampled loans to people and businesses in the assessment area.  Based on this data, only 60% of the bank's new loan originations are to people and businesses in the assessment area. While this lending performance is satisfactory due to mitigating factors, the bank's lending performance inside as compared to outside the assessment area was given significant weight in determining the bank's overall rating.  The analysis of the distribution of lending between borrowers and geographies of different incomes is based primarily on the distribution of these loans within the assessment area.  Accordingly, a significant percentage of the bank's loans were excluded from this analysis.  In addition to the bank's lending performance inside the assessment area, some weight was given to the bank's loan distributions, both by borrower incomes and geographic locations, in determining the bank's overall CRA rating.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio meets the standards for satisfactory performance. Since the last evaluation, the bank's net loan-to-deposit ratio has fluctuated between 66% and 71%. The bank's general lending activity is lower than most of its peer group, based on March 31, 1997, Uniform Bank Performance ("UBPR") data. These data indicate that the bank's March 31, 1997, net loan-to-deposit ratio of 68% ranks the bank in the 46th percentile as compared with its national peers. The quarterly average of the bank's net loan-to-deposit ratio, based on the data for the six calendar quarters since December 31, 1995, is 68%. The following chart summarizes the bank's net loan-to-deposit ratio and its components since December 31, 1996.

| DATE | NET LOANS (In thousands) | DEPOSITS (In thousands) | NET LOAN-TO-DEPOSIT RATIO |
|---|---|---|---|
| December 31, 1995 | $136,750 | $208,508 | 66% |
| March 31, 1996 | $139,605 | $202,506 | 69% |
| June 30, 1996 | $142,763 | $202,161 | 71% |
| September 30, 1996 | $147,200 | $210,521 | 70% |
| December 31, 1996 | $148,486 | $220,115 | 67% |
| March 31, 1997 | $150,057 | $221,653 | 68% |
| June 30, 1997 | $156,069 | $221,108 | 71% |

For the seven calendar quarters reflected in the table, the quarterly average of the bank's net loan-to-deposit ratios is 69%.

As previously noted, the bank's net loan-to-deposit ratio is comparable to ratios of other financial institutions operating main offices or branches in the assessment area.

| BANK | TOTAL ASSETS (March 31, 1996) (In thousands) | QUARTERLY AVERAGE NET LOAN-TO-DEPOSIT RATIO |
|---|---|---|
| **Liberty State Bank St. Paul, Minnesota** | **$244,911** | **68%** |
| Signal Bank, Inc. West St. Paul, Minnesota | $235,712 | 76% |
| Western Bank St. Paul, Minnesota | $169,980 | 70% |
| Cherokee State Bank of St. Paul St. Paul, Minnesota | $147,679 | 63% |
| The Midway National Bank of St. Paul St. Paul, Minnesota | $382,007 | 65% |
| Saint Anthony Park State Bank St. Paul, Minnesota | $ 57,777 | 58% |
| MidAmerica Bank Newport, Minnesota | $311,136 | 69% |

| BANK | TOTAL ASSETS (March 31, 1996) (In thousands) | QUARTERLY AVERAGE NET LOAN-TO-DEPOSIT RATIO |
|---|---|---|
| Princeton Bank<br>Princeton, Minnesota | $162,649 | 64% |
| Dakota Bank<br>Mendota Heights, Minnesota | $ 67,825 | 72% |
| Rosemount National Bank<br>Rosemount, Minnesota | $ 59,858 | 79% |
| St. Anthony Park State Bank<br>St. Paul, Minnesota | $57,777 | 58% |
| University National Bank<br>St. Paul, Minnesota | $18,417 | 70% |

As the net loan-to-deposit data indicate, the demand for credit appears strong throughout the assessment area. The table does not reflect substantial lending activity of local credit unions, large regional banks, and nonbank lenders.

The bank's quarterly average net loan-to-deposit ratio is reasonable and compares favorably with ratios of other banks operating offices in the assessment area. For these reasons, the bank's lending activity meets this category's standards for a satisfactory rating, although it is below the national peer group average.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

A slight majority of the bank's lending activity is concentrated in the assessment area. Since the last evaluation, the bank has extended a majority of its loans to residents and businesses in its assessment area. The table below shows the percentage of consumer, motor vehicle, home improvement, residential real estate, and small business loans by total number and dollar amount originated within the assessment area.

| LOANS IN THE ASSESSMENT AREA | | |
|---|---|---|
| LOAN TYPE | TOTAL NUMBER OF LOANS | TOTAL DOLLAR AMOUNT OF LOANS |
| Consumer | 50% | 36% |
| Motor Vehicle | 61% | 56% |
| Home Improvement | 51% | 53% |
| Residential Real Estate | 61% | 47% |
| Small Business | 69% | 77% |

As mentioned previously, the data are based on loans originated to date in 1997. As the data show, the bank extends a small majority of its loans to assessment area residents and businesses.

The data also reveal that for two loan categories, the bank does not extend a majority of the dollar amount of loans to people in the assessment area. These are the two loan categories that have the fewest dealer loans. As previously discussed, the bank operates in the low- and moderate-income CTs of St. Paul. The income distribution of people in these CTs shows that 64% of the families in the low- and moderate-income CTs have low and moderate incomes. Twenty percent of the households in these CTs have below-poverty-level incomes. Given the bank's proximity to St. Paul's low- and moderate-income areas, it appears reasonable that the size of loans to customers who reside in the assessment area would be smaller than those originated to customers who live outside the assessment area.

According to the 1995 and 1996 HMDA data, the bank originated slightly more than a majority of its reportable home purchase and home improvement loans in the assessment area. In 1995, the bank reported 319 loan originations; approximately 56% of the reported originations were to borrowers in the assessment area. In 1996, the bank's lending activity in the assessment area increased. During 1996, the bank originated 372 reportable loans. Its activity in the assessment area represented approximately 58% of these applications and 61% of the loans. The table below shows the bank's lending activity in the assessment area by loan category.

| LOANS IN THE ASSESSMENT AREA | | | | |
|---|---|---|---|---|
| **Year** | **Conventional Home Purchase** | **Home Improvement** | **Refinance** | **Multifamily Dwelling** |
| 1995 | 54% | 53% | 62% | 100% |
| 1996 | 52% | 59% | 72% | 80% |

Based on bank management's statements, it appears that the bank is committed to extending credit in the assessment area; however, a number of business and assessment area characteristics affect the bank's assessment area lending activity.

First, the bank has defined its assessment area as a small section of the Minneapolis-St. Paul, Minnesota MSA. The bank has operated its only office in its present location for decades. As a result, bank management has long-term relationships with most of the bank's customers. Over the years, the bank's customer base has dispersed throughout the entire MSA. Many customers who now live outside the assessment area remain loyal to the bank and its management and continue to seek financial services, including credit, from the bank. Another factor is the fact that the bank serves the deposit and credit needs of people who work near the bank's office, but who may reside outside the assessment area.

Second, bank management has established numerous arrangements to purchase loans originated by several businesses located in the assessment area. Most of these businesses are motor vehicle dealers that have a larger market than the bank. The bank also purchases home improvement loans from contractors that serve the entire MSA. Because these dealers attract customers from throughout the MSA, their loan dispersion is much broader than the bank's assessment area. Since the data set forth in the table include both direct and indirect loan originations, it reflects the fact that the bank acquires loans from dealers and contractors who serve much larger areas than the assessment area.

The data show the bank extends slightly more than a majority of its new loan originations to people and businesses located in the assessment area. Although its lending in the assessment area appears low given the bank's size and location, this appears to reflect the customer and businesses relationships bank management has developed over the years. It is notable that the highest concentration of lending in the assessment area is small business loans. These loans represent the single largest loan category for the bank. Consequently, despite the fact that the bank's lending in the assessment area is below 50% of the total dollar amount of loans for some categories, the bank's lending performance in the assessment area meets this category's standard for a satisfactory rating.

DISTRIBUTION OF CREDIT WITHIN THE ASSESSMENT AREA

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's level of lending to individuals of different incomes and to businesses of different sizes is satisfactory. As previously discussed, the CRA classifies income levels into four categories: low, moderate, middle, and upper. According to the 1990 U.S. census data, the median family income for the assessment area is $39,667. For purposes of classifying the bank's consumer borrowers, the 1997 MSA median family income of $57,300 is compared to borrowers' incomes.

The table, set forth below, shows the percentage of consumer, motor vehicle, home improvement, and residential real estate loans made to borrowers of different income levels.

| DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BORROWER INCOME LEVELS* | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Loan Type** | **Low-Income Borrowers** | | **Moderate-Income Borrowers** | | **Middle-Income Borrowers** | | **Upper-Income Borrowers** | |
| | Number of Loans | Amount of Loans | Number of Loans | Amount of Loans | Number of Loans | Amount of Loans | Number of Loans | Amount of Loans |
| Consumer | 30% | 16% | 28% | 24% | 30% | 27% | 13% | 33% |
| Motor Vehicle | 39% | 32% | 29% | 28% | 19% | 23% | 14% | 17% |
| Home Improvement | 11% | 9% | 45% | 32% | 17% | 13% | 28% | 46% |
| Residential Real Estate | 22% | 14% | 17% | 10% | 28% | 30% | 33% | 46% |
| *Income level is determined based on the 1997 Minneapolis-St. Paul, Minnesota, MSA median family income of $57,300. | | | | | | | | |

The bank extends 58% of its consumer loans, representing 40% of the total amount of such loans, to low- and moderate-income persons. For motor vehicle loans, 68% of the loans and 60% of the dollars are to low- and moderate-income individuals. The relatively high percentage of families paying more than 30% of income in rent limits people's ability to qualify for other large consumer loans.

The residential real estate data show that the bank's lending to low- and moderate-income persons is 39% of the total number and 24% of the total amount of residential real estate loans originated. The bank's HMDA data show its lending activity to borrowers of various incomes for 1995 and 1996. This information is set forth in the following table.

| ASSESSMENT AREA HMDA LOAN DISTRIBUTION BY INCOME LEVEL OF APPLICANT | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Year** | **Low and Moderate-Income Applicants** | | **Middle-Income Applicants** | | **Upper-Income Applicants** | | **Income Unknown** | |
| | Number | % | Number | % | Number | % | Number | % |
| 1995 | 70 | 39 | 46 | 26 | 51 | 28 | 12 | 7 |
| 1996 | 78 | 34 | 69 | 31 | 53 | 28 | 16 | 7 |
| *Applicant income is categorized based on comparing it with the estimated MSA median family income for the applicable year. | | | | | | | | |

As the data show, the bank made slightly fewer reportable loans to low- and moderate-income people as percentage of total loan loans during 1996 than 1995. Between 1995 and 1996, however, the bank originated 11% more loans to such applicants. The HMDA data show that the bank's origination rates by income category are 79% for low- and moderate-income applicants, 92% for middle-income applicants, and 96% for upper-income applicants.

The HMDA data provide information about other lenders with reportable loan activity in the assessment area. The table sets forth the reportable loans for all such lenders.

| **ASSESSMENT AREA HMDA LOAN DISTRIBUTION BY INCOME LEVEL OF APPLICANT** | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Year** | **Low and Moderate-Income Applicants** | | **Middle-Income Applicants** | | **Upper-Income Applicants** | | **Income Unknown** | |
| | Number | % | Number | % | Number | % | Number | % |
| 1995 | 6,880 | 42 | 4,630 | 29 | 4,036 | 25 | 606 | 4 |
| 1996 | 8,944 | 42 | 5,884 | 28 | 5,273 | 25 | 931 | 4 |
| *Applicant income is categorized based on comparing it with the estimated MSA median family income for the applicable year. | | | | | | | | |

All lenders in the assessment area made the same percentage of total loans to low- and moderate-income loans as a percentage of all loans in 1996 as in 1995. Between 1995 and 1996, all assessment area lenders originated 30% more loans to low- and moderate-income borrowers. The bank's growth rates for reportable loans were less than for all lenders in the assessment area. For all lenders in the assessment area, the HMDA data show that the following origination rates by income categories: low- and moderate-income applicants 61%, middle-income applicants 70%, and upper-income applicants 76%. The bank's approval rate for low- and moderate-income applicants is higher than that of all lenders in the assessment area.

Low- and moderate-income families and households represent 41% and 45% of the assessment area's population, respectively. More specifically, the assessment area's population is composed of 26% low-income families and 21% of low-income households. As previously noted, 7.6% of the families and 10.1% of the households residing in the assessment area had 1989 incomes that were below the poverty level. The level of families with incomes below the poverty level is slightly higher in the assessment area than in the MSA; census data do not segregate these families and households by income level. While it is not possible to determine precisely how this factor affects the bank's ability to extend loans to low- and moderate-income families, it appears reasonable to conclude that the number of low- and moderate-income people who qualify for credit is less than represented by the demographic data.

To serve the credit needs of low- and moderate-income people, the bank offers a variety of loan products. For consumers, the bank offers small loans and ready reserve lines of credit. As previously discussed, the bank does not participate in any government-sponsored home purchase loan programs, which typically benefit low- and moderate-income buyers. Bank management does not believe low down payment loan programs serve the financial needs of low- and moderate-income borrowers. Management stated that it prefers to counsel people about savings plans; potential borrowers who want to establish savings plans will find bank staff very willing to provide the necessary assistance. The fact that the bank does not offer any special home purchase loan programs somewhat limits its competitiveness in the residential real estate loan market.

Another factor limiting the bank's ability to extend residential real estate loans to low- and moderate-income people is the dispersion of owner-occupied housing in the assessment area. Forty percent of the assessment area's low- and moderate-income families live in low- and moderate-income CTs. In the assessment area's low-income CTs, owner-occupied dwellings represent 26% of the available units, according to 1990 census data. In the moderate-income CTs, this number increases to 46%. Another characteristic of the assessment area's housing market, as previously discussed, is that prices are high relative to income and increasing.

The type of housing stock in the assessment area's low- and moderate-income areas and the concentration of low- and moderate-income people in these areas affects the bank's ability to lend to low- and moderate-income people. In light of the borrower and housing characteristics of the bank's assessment area and the types of products offered by the bank, the level of the bank's residential real estate lending to low- and moderate-income people appears reasonable.

The sample of commercial loans reviewed during the evaluation shows that the bank originated all its loans to small businesses, defined as entities that have received a loan of $1 million or less. The bank originated 75% of its business loans to entities with gross annual revenues of $1 million or less. The table below sets forth the information reviewed during the evaluation.

| **DISTRIBUTION OF SMALL BUSINESS LOANS BY LOAN SIZE*** | | | |
|---|---|---|---|
| | **Loan Amount $100,000 or less** | **Loan Amount $100,000.01 to $250,000** | **Loan Amount $250,000.01 to $1,000,000** |
| Small Business Loans | 88% | 4% | 8% |
| This table sets forth data about small business loans to entities with gross annual revenues of $1 million or less. | | | |

The high level of loan originations to small businesses and, more specifically, to small businesses with gross annual revenues of $1 million or less is expected given the bank's size, products, and market. The bank is a relatively small financial institution when compared to the three local regional banks with corporate headquarters and numerous branch locations in the assessment area. Due to its size and products, the bank's commercial loan market is naturally defined as smaller businesses. Also, most of the businesses in the neighborhoods surrounding the bank are primarily small businesses. To service the needs of these borrowers, the bank participates in SBA loan programs. The bank also participates in a number of programs in its assessment area that support small businesses.

The bank's lending performance to small businesses is good, but generally reflects the bank's lending market, size, and products. Its performance with respect to residential real estate loans extended to low- and moderate-income people is also reasonable given the demographics of the assessment area, characteristics of the local housing market, and types of programs offered by the bank. The bank's consumer loan originations demonstrate a willingness to extend credit to low- and moderate-income individuals. However, as noted previously, this analysis reflects only 60% of the bank's lending activity since a large percentage of the bank's loans are located outside the assessment area. The effect of including the out-of-area loans on the distribution outlined above is unknown but could be substantial. Consequently, the bank's lending to borrowers of different income levels and businesses of various sizes meets this category's standards for satisfactory performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of the bank's loans throughout the assessment area is satisfactory. The loan dispersion includes a significant majority of the194 CTs in the assessment area. The sample showed the following loans dispersion by county.

| **CTs WITH LOAN ACTIVITY*** | | | |
|---|---|---|---|
| **County** | **Total Number of CTs** | **Total Number of CTs With Loan Originations** | **Percentage of CTs With Loan Originations** |
| Ramsey | 136 | 122 | 90 |
| Anoka | 17 | 6 | 35 |
| Dakota | 16 | 16 | 100 |
| Hennepin | 22 | 13 | 59 |
| Washington | 3 | 1 | 33 |
| **TOTAL** | **194** | **158** | **81** |
| ***Two of the assessment area's CTs show no families or owner-occupied housing in the area. | | | |

The lending activity is concentrated in Ramsey County, where the bank's office is located. As the data show, the bank's loan activity in Anoka and Washington counties is low. This is neither unreasonable nor unexpected. The bank is located in the Midway area, approximately four miles west of downtown St. Paul. Anoka and Washington counties are on the outer boundaries of the assessment area and approximately 10 miles from the bank. Numerous financial institutions are located in those areas and between those areas and the bank. Consequently, the bank's limited presence in these two areas of the assessment area is not unreasonable.

The data also show that the bank is willing to extend all types of loans--consumer, motor vehicle, home improvement, residential real estate, and commercial--throughout the assessment area.

| **DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY LOAN CATEGORY** | | | | | |
|---|---|---|---|---|---|
| **County** | **Consumer** | **Motor Vehicle** | **Home Improvement** | **Residential Real Estate** | **Small Business** |
| Ramsey | 67 | 403 | 40 | 35 | 100 |
| Anoka | 2 | 5 | - | - | 1 |
| Dakota | 9 | 41 | 3 | 4 | 5 |
| Hennepin | - | 13 | 4 | 1 | 6 |
| Washington | - | 3 | 1 | - | - |

The bank's motor vehicle lending shows the most dispersion in the assessment area but outside Ramsey County. As previously discussed, this probably reflects the relationships between the bank and numerous motor vehicle dealerships in the assessment area.

As previously discussed, the bank's assessment area has 19 low-income (10%), 52 moderate-income (27%), 101 middle-income (52%), and 22 upper-income CTs (12%). The following table shows the distribution of the bank's consumer, motor vehicle, home improvement, residential real estate, and small business loans in the assessment area.

| DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY CT INCOME LEVELS | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Low-Income CTs** | | **Moderate-Income CTs** | | **Middle-Income CTs** | | **Upper-Income CTs** | |
| Loan Type | Number of Loans | Amount of Loans | Number of Loans | Amount of Loans | Number of Loans | Amount of Loans | Number of Loans | Amount of Loans |
| Consumer | 6% | 5% | 15% | 7% | 67% | 68% | 12% | 19% |
| Motor Vehicle | 8% | 8% | 20% | 17% | 58% | 58% | 15% | 17% |
| Home Improvement | 4% | 3% | 21% | 17% | 56% | 55% | 19% | 24% |
| Residential Real Estate | 5% | 5% | 8% | 6% | 68% | 60% | 20% | 28% |
| Small Business | 17% | 17% | 29% | 21% | 38% | 22% | 16% | 41% |

As the data show, the bank extends consumer, motor vehicle, home improvement, and residential real estate loans to borrowers in low- and moderate-income CTs. According to census data, approximately 6% of the assessment area's population and 5% of its households and families live in low-income CTs. Meanwhile, the moderate-income CTs are home to 23% of the population, 24% of the households, and 21% of the families in the assessment area.

The dispersion of the bank's small business loans in CTs of differing income levels compares favorably to that of large banks extending small business loans in the assessment area. According to 1996 aggregate loan information for the assessment area, reporting financial institutions, which are generally independent entities with assets of $250 million or more and entities affiliated with a holding company that has total banking and thrift assets of $1 billion or more, disclosed the following data for small business loans originated in the assessment area's low- and moderate-income CTs:

| AGGREGATE SMALL BUSINESS LENDING DATA FOR LOW- AND MODERATE-INCOME CTs IN THE ASSESSMENT AREA | | |
|---|---|---|
| **CT Income Level** | **Number of Loans** | **Amount of Loans** |
| Low income | 7% | 9% |
| Moderate income | 20% | 21% |

Comparing the bank's data to the aggregate data reveals that the bank's small business lending activity in low- and moderate-income CTs is strong. The bank's 1997 small business lending activity in the assessment area's low-income CTs is significantly higher than the 1996 aggregate lending activity. With respect to moderate-income CTs, the bank's performance is also strong compared to the aggregate lenders' activity in these areas. Based on number of loans originated, the bank's activity in the assessment area's moderate-income area is higher than that of the aggregate lenders; further, as a percentage of amount of small business loans, the bank's performance matches the lending activity of aggregate lenders in the assessment area's moderate-income CTs.

The 1995 and 1996 HMDA data show the bank's lending activity and provide more information about the bank's performance in the assessment area. The bank's assessment area has 194 CTs; reportable application and loan activity for the bank and all lenders in these CTs by income level is set forth in the tables.

| LOANS | | | | |
|---|---|---|---|---|
| **CT Income Level** | **1995** | | **1996** | |
| | **Bank** | **All Lenders** | **Bank** | **All Lenders** |
| Low and Moderate Income | 26% | 23% | 34% | 22% |
| Middle Income | 62% | 60% | 54% | 61% |
| Upper Income | 12% | 17% | 12% | 17% |
| *Income levels of CTs are based on the 1990 MSA median family income. | | | | |

As shown, the bank's penetration of low- and moderate-income tracts for HMDA-reportable real estate loans exceeds that of aggregate lenders. This higher penetration is expected because the bank focuses on home improvement loans. Given the age of the housing stock in the areas served by the bank, a focus on home improvement lending is likely to lead to greater penetration of these areas.

As previously discussed, the bank's ability to extend residential real estate loans in low- and moderate-income areas is affected by the dispersion of owner-occupied housing in the assessment area. In the assessment area's low-income CTs, owner-occupied dwellings represent 26% of the available units, according to 1990 census data. In the moderate-income CTs, this number increases to 46%. In both low- and moderate-income CTs, more than a majority of residents do not own their dwellings. As a result, the pool of potential borrowers for certain types of loan products, such as home improvement or rehabilitation loans, is less than otherwise might be expected given the area's population demographics. Another characteristic of the assessment area's housing market, as previously discussed, is that prices are high relative to income and increasing.

The data also show that the bank is very willing to extend loans to businesses located in the assessment area's low- and moderate-income CTs. Community contacts identified one area, Frogtown, that needs economic development. The data show that the bank does extend loans in Frogtown. A community contact noted that the bank's presence in Frogtown is satisfactory and improving.

While the bank does extend loans throughout its assessment area, most of its lending activity is concentrated in the geographies where the bank office is located. The bank's loan data show that it extends loans in the assessment area's low- and moderate-income areas, including Frogtown. As with borrower distribution, however, the exclusion of the significant number of loans outside the assessment area could have a significant effect on the distribution. For these reasons, the geographic distribution of the bank's loan originations meets this categories standards for satisfactory performance.

## GENERAL

The evaluation did not reveal any violations of the substantive provisions of the fair lending and fair housing laws and regulations. It did reveal numerous errors in the bank's HMDA data. During the evaluation, management promised to correct the noted violations.

The bank has not received any CRA complaints since the last evaluation.

# PUBLIC DISCLOSURE

August 11, 1997
Date of Evaluation

# COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Liberty State Bank
Name of Depository Institution

09-27-5520-0000
Identification Number of Institution

St. Paul, 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.