



## **PUBLIC DISCLOSURE**

September 08, 2015

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First American Bank, National Association  
Charter Number 24758

2424 Monetary Boulevard  
Hudson, WI 54016

Office of the Comptroller of the Currency

Campbell Mithun Tower  
222 South Ninth Street  
Suite 800  
Minneapolis, MN 55402-3393

**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 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

The major factors supporting this rating include:

- The bank originates a substantial majority of loans inside its assessment area (AA).
- The bank's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial condition, and credit needs of the AA.
- The distribution of loans reflects reasonable penetration among borrowers of different income levels for home purchase residential real estate loans. The distribution of loans reflects excellent penetration among businesses of different sizes.
- The distribution of loans reflects excellent dispersion among homes and reasonable dispersion among businesses throughout the assessment area.

**SCOPE OF EXAMINATION**

We evaluated First American Bank's (FAB) Community Reinvestment Act (CRA) performance from March 29, 2010 to September 8, 2015, using small bank procedures. We assessed the bank's lending performance using primary products based on the number and dollar volume of loans originated between January 1, 2013 and June 30, 2015. Our analysis found that home purchase residential real estate loans and commercial/business loans are the bank's primary products.

FAB has designated one AA. The AA consists of counties in the Minneapolis-St. Paul, MN-WI Multi-state Metropolitan Statistical Area (MMSA), which includes St. Croix and Pierce counties in Wisconsin, and Anoka, Dakota, Hennepin, Ramsey, Sherburne, Washington, and Wright counties in Minnesota. Revisions in MSA boundaries and geographic definitions took effect in 2014. These changes impacted the CRA evaluation and the manner in which FAB's lending performance was evaluated in 2013 and 2014-2015. As such, we determined primary products for each year, and evaluated lending performance separately for 2013 and 2014-2015. Our analysis of FAB's loan originations in the AA, determined home purchase residential real estate loans and commercial/business loans to be the primary products for both the 2013 and 2014-2015. The following tables show the bank's primary products by loan originations and purchases in 2013 and 2014-2015.

<b>Loan Originations and Purchases in 2013</b>		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Residential RE		
Purchase	21%	23%
Home Improvement	2%	2%
Refinance	1%	1%
Commercial	55%	71%
Agricultural	1%	2%
Consumer	20%	1%

*Source: 2013 HMDA Data and Bank loan origination reports*

<b>Loan Originations and Purchases in 2014-2015</b>		
<i>Loan Type</i>	<i>Volume by #</i>	<i>Volume by \$</i>
Residential RE		
Purchase	16%	13%
Home Improvement	1%	1%
Refinance	3%	2%
Commercial	63%	79%
Agricultural	1%	2%
Consumer	17%	3%

*Source: 2014-2015 HMDA Data and Bank loan origination reports*

We selected a sample of 20 commercial loans and utilized the bank's Home Mortgage Disclosure Act (HMDA) data for 2013, 2014, and 2015 in order to evaluate lending activities within the AA.

## **DESCRIPTION OF INSTITUTION**

FAB is a \$163 million multi-state financial institution headquartered in Hudson, WI, which is located in St. Croix County in western Wisconsin. The bank has one branch office, which was acquired in February 2014, located in St. Michael, MN in Wright County. The bank operates three cash dispensing, non-deposit taking automated teller machines (ATMs). Two of the ATMs are located in St. Michael, MN and the other is located in Baldwin, WI. FAB is 100 percent owned by First American Investment, Inc., a one-bank holding company located in Hudson, WI.

FAB is a full service bank that offers a variety of loan and deposit products. The bank's focus is business and residential real estate lending. As of June 30, 2015, the bank's loans and leases totaled \$125 million or 77 percent of total assets. The loan portfolio consists of commercial loans (62 percent), residential real estate loans (34 percent), agricultural loans (2 percent), and consumer loans (2 percent).

FAB received a “Satisfactory” rating at its March 29, 2010 CRA evaluation. There are no legal, financial, or other factors impeding FAB’s ability to meet the credit needs in its AA.

## DESCRIPTION OF ASSESSMENT AREA

FAB’s AA consists of all census tracts of St. Croix County, WI, Pierce County, WI, Anoka County, MN, Dakota County, MN, Hennepin County, MN, Ramsey County, MN, Sherburne County, MN, Washington County, MN, and Wright County, MN.

FAB’s AA consists of primarily middle- and upper-income census tracts, with a density of low- and moderate-income census tracts within Minneapolis and St. Paul, MN. The AA meets regulatory requirements and does not arbitrarily exclude any low- or moderate-income census tracts. The AA includes the political subdivision where the bank is located and does not reflect discrimination.

As previously stated, MMSA boundary changes in 2014 affected the boundaries and demographic composition of the AA. As such, we analyzed lending activity for 2013 and 2014-2015 separately. The following tables show demographic and economic characteristics of the AA for 2013 and 2014-2015.

<b>2013 DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE AA</b>	
Population	
Number of Families	736,739
Number of Households	1,154,979
% of Low-Income Families	20
% of Moderate-Income Families	18
% of Middle-Income Families	23
% of Upper-Income Families	39
Geographies *	
Number of Census Tracts	714
% Low-Income Census Tracts	9
% Moderate-Income Census Tracts	22
% Middle-Income Census Tracts	45
% Upper-Income Census Tracts	24
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$80,925
2013 HUD Adjusted MFI	\$82,300
Economic Indicators	
2013 Average Unemployment Rate	4.80%
2010 Median Housing Value	\$253,046
% of Households Below Poverty Level	9.30

Source: 2010 U.S. Census data with updated information when available

\*For 0.56% of CTs income is NA

<b>2014-2015 DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF THE AA</b>	
Population	
Number of Families	736,739
Number of Households	1,154,979
% of Low-Income Families	19
% of Moderate-Income Families	18
% of Middle-Income Families	23
% of Upper-Income Families	40
Geographies*	
Number of Census Tracts	714
% Low-Income Census Tracts	9
% Moderate-Income Census Tracts	19
% Middle-Income Census Tracts	45
% Upper-Income Census Tracts	26
<i>Median Family Income (MFI)</i>	
2010 MFI for AA	\$79,301
2014 HUD-Adjusted MFI	\$83,900
Economic Indicators	
2014 Average Unemployment Rate	4.80%
2010 Median Housing Value	\$253,046
% of Households Below Poverty Level	9.30

Source: 2010 U.S. Census data with updated information when available

\*for 0.56% of CTs income is NA

According to the Bureau of Labor Statistics, Minnesota and Wisconsin had annual unemployment rates statewide of 4.1 and 5.5 percent, respectively, as of December 31, 2014. This is a considerable improvement since the previous CRA evaluation when unemployment rates were 7.4 and 8.7 percent, respectively. The average unemployment rate for the AA is 4.80 percent, which is the average of the two statewide unemployment rates.

Major employment industries within the AA include financial services, manufacturing, education, and health services. Large employers within the AA include Target Corporation, University of Minnesota, Allina Health System, Wells Fargo, The University of Wisconsin-River Falls, and OEM Fabricators.

Bank competition in the AA is strong. According to the June 30, 2014 FDIC Deposit Market Share Report, there are 159 financial institutions in the market with 827 offices inside the MMSA. FAB holds 0.07 percent of deposits in the market. Institutions in the MMSA include both large national bank branches and smaller community banks. There are multiple smaller credit unions and community banks in the area that directly compete with FAB.

We contacted a representative of a local community economic development organization to understand the economy and credit needs of the AA. The contact stated the local economy continues to improve based on different reports and metrics that are prepared regularly. Small business and home mortgages are primary credit needs within the AA. Local financial institutions continue to meet the needs of the community and provide support through involvement in community development activities.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending performance is satisfactory. The loan-to-deposit ratio is more than reasonable and substantial majority of loans are originated within the bank's AA. Distribution of loans reflects reasonable dispersion throughout the AA, and distribution of loans reflects reasonable penetration among borrowers.

### Loan-to-Deposit Ratio

FAB's LTD ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. FAB's quarterly average LTD ratio is 89 percent for the 22 quarters since the previous CRA evaluation. The ratio ranged from a high of 104 percent in second quarter 2013 to a low of 77 percent in third quarter 2014.

FAB's average LTD ratio ranks first among five similarly situated banks. Similarly situated banks are defined as banks located within FAB's AA with similar asset sizes, product offerings, and services. These banks have total assets ranging from \$138 million to \$185 million. The average ratio for all six institutions for the evaluation period is 73.50 percent. The following table depicts the average LTD ratios of similarly situated banks.

Loan-To-Deposit Ratio		
Institution (Headquarters)	Assets as of 6/30/2015 (\$000s)	Average LTD Ratio (1Q10-2Q15)
<b>First American Bank (Hudson, WI)</b>	<b>163,109</b>	<b>89%</b>
Platinum Bank (Oakdale, MN)	185,116	79%
The First Bank of Baldwin ( <i>Baldwin, WI</i> )	159,300	75%
Citizens State Bank ( <i>Hudson, WI</i> )	150,383	71%
Hiawatha National Bank ( <i>Hager City, WI</i> )	152,256	66%
Annandale State Bank ( <i>Annandale, MN</i> )	137,659	61%

Source: Call Report data as of June 30, 2015.

## Lending in Assessment Area

FAB originates a substantial majority of its loans inside the AA. Based on a sample of primary products, FAB originated 91 percent of loans by number and 87 percent by dollar volume within the AA from 2013-2015. The following tables show loans originated within the bank's AA by number and dollar volume for each loan type in 2013 and 2014-2015.

<b>Lending in the Assessment Area (2013)</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial	19	95	1	5	20	5,676	98	110	2	5,786
Residential RE	101	92	9	8	110	12,646	88	1,723	12	14,369
Totals	120	92	10	8	130	18,322	91	1,833	9	20,155

Source: 2013 HMDA data and loan samples

<b>Lending in the Assessment Area (2014-2015)</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total (000's)
	#	%	#	%		\$(000's)	%	\$(000's)	%	
Commercial	19	95	1	5	20	8,150	94	540	6	8,690
Residential RE	94	90	11	10	105	14,032	80	3,483	20	17,515
Totals	113	90	12	10	125	22,182	85	4,023	15	26,205

Source: 2014-2015 HMDA data and loan samples

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

Overall, FAB's lending to borrowers of different incomes and to businesses of different sizes reflects reasonable penetration in the AA.

### **2013**

The distribution of home purchase residential estate loans reflects reasonable penetration among individuals of different income levels given the demographics of the AA. The bank's lending to low- and moderate-income individuals is lower than the demographic comparator; however, we noted that this is reasonable given that 9.30 percent of families in the AA are below poverty level and, therefore, less likely to seek or do not qualify for traditional residential real estate loans. The table below shows the bank's lending performance compared to the demographics of the AA.

<b>Borrower Distribution of Residential Real Estate Loans in the AA (2013)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.98	11.54	18.12	7.69	23.46	23.08	38.45	57.69

Source: 2013 HMDA data; 2010 US Census Data

The distribution of business loans reflects excellent penetration among businesses of different sizes given the business demographics in 2013. FAB's lending to businesses with gross revenues of \$1 million or less exceeds the reported demographics by both number and dollar amount of loans. The following table shows the distribution of business loans among businesses of different sizes in the AA.

<b>Borrower Distribution of Loans to Businesses in the AA (2013)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.41	5.05	21.54	100
% of Bank Loans in AA by #	80.00	20.00	0.00	100
% of Bank Loans in AA by \$	83.52	16.48	0.00	100

Source: Loan Sample; Dunn and Bradstreet Data 2013

### **2014-2015**

The distribution of home purchase residential estate loans reflects poor penetration among individuals of different income levels given the demographics of the AA. The bank's lending to low- and moderate-income individuals is significantly lower than the demographic comparator. The table below shows the bank's lending performance compared to the demographics of the AA.

<b>Borrower Distribution of Residential Real Estate Loans in the AA (2014-2015)</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	19.40	7.59	17.69	6.33	23.10	36.71	39.81	49.37

Source: 2014-2015 HMDA data; 2010 US Census Data

The distribution of business loans reflects reasonable penetration among businesses of different sizes given the business demographics in 2014-2015. FAB's lending to businesses with gross revenues of \$1 million or less by both number and dollar amount is near the reported demographics. The demographic data used contains a high level of businesses of unknown size, as they chose not to report this information. Although the

unknown 21 percent could potentially be additional small businesses, we have no reason to believe that the non-reporters are a disproportionate amount of small businesses. The following table shows the distribution of business loans among businesses of different sizes in the AA.

<b>Borrower Distribution of Loans to Businesses in the AA (2014-2015)</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.05	5.59	21.37	100
% of Bank Loans in AA by #	75.00	25.00	0.00	100
% of Bank Loans in AA by \$	65.75	34.25	0.00	100

Source: Loan sample; Dunn and Bradstreet Data 2014-2015

### Geographic Distribution of Loans

Overall, the distribution of loans reflects reasonable dispersion throughout the bank’s AA. The distribution of home purchase residential real estate loans in the 2013 and 2014-2015 reflects excellent dispersion. The distribution of business loans reflects poor dispersion in 2013, however distribution reflects reasonable dispersion in 2014-2015.

#### 2013

The geographic distribution of home purchase residential real estate loans reflects excellent dispersion throughout census tracts of different income levels. FAB’s lending in low- and moderate-income census tracts exceeded the demographics. The following table shows the bank’s performance as compared to the percentage of owner occupied housing in the AA.

<b>Geographic Distribution of Residential Real Estate Loans in the AA (2013)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	2.85	13.10	15.70	34.52	52.60	40.48	28.84	11.90

Source: 2013 HMDA data; 2010 US Census Data

The geographic distribution of business loans reflects poor dispersion throughout census tracts of different income levels in 2013. Lending performance in both low- and moderate-income census tracts are significantly below the demographics. Low business lending in low- and moderate-income census tracts is primarily attributed to the long distance between the low- and moderate-income census tracts and the bank’s locations. The following table illustrates the bank’s performance as compared to the percentage of businesses in each census tract income level.

<b>Geographic Distribution of Loans to Businesses in the AA (2013)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	5.19	0.00	17.61	5.00	47.35	73.00	29.83	22.00

Source: Loan sample; Dunn and Bradstreet Data 2013

### **2014-2015**

The geographic distribution of home purchase residential real estate loans reflects excellent dispersion throughout census tracts of different income levels. FAB's lending in low- and moderate-income census tracts exceeded the demographics. The following table shows the bank's performance as compared to the percentage of owner occupied housing in the AA.

<b>Geographic Distribution of Residential Real Estate Loans in the AA (2014-2015)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	2.76	13.92	13.48	24.05	51.94	45.57	31.82	16.46

Source: 2014-2015 HMDA data; 2010 US Census Data

The geographic distribution of business loans for 2014-2015 reflects reasonable penetration throughout census tracts of different income levels. Lending performance in low-income census tracts exceeded the AA demographics, while lending performance in moderate-income census tracts was lower than AA demographics. A majority of businesses are located in middle-income census tracts, which is where FAB performed the majority of their lending. The following table illustrates the bank's performance as compared to the percentage of businesses in each census tract income level.

<b>Geographic Distribution of Loans to Businesses in the AA (2014-2015)</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	5.05	6.67	15.21	5.00	47.09	61.67	32.64	26.67

*Source: Loan sample; Dunn and Bradstreet Data 2014-2015*

### **Responses to Complaints**

FAB received no CRA-related complaints during the evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. 25.28(c), in determining a national bank's CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any assessment area by an affiliate whose loans have been considered as part of the bank's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.