



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 31, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Starbuck
Charter Number 9596**

**100 West Fifth Street
Starbuck, MN 56381**

**Office of the Comptroller of the Currency
Alexandria Duty Station
1309 Highway 29 North, P. O. Box 849
Alexandria, Minnesota 56308**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The First National Bank of Starbuck** prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of December 18, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The First National Bank of Starbuck has a reasonable loan-to-deposit ratio and extends a substantial majority of their loans in their assessment area. The bank has a good record of extending credit to businesses and farmers of different sizes.

The following table indicates the performance level of *The First National Bank of Starbuck* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA THE FIRST NATIONAL BANK OF STARBUCK 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 Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Analysis is not Meaningful		
Response to Complaints	No complaints were received since the prior examination .		

DESCRIPTION OF INSTITUTION

The First National Bank of Starbuck is a \$22 million institution located in Starbuck, Minnesota. The bank is 95% owned by Starbuck Bancshares, Inc., a one-bank holding company. The bank does not operate any branch locations or automatic teller machines. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs.

The bank offers a variety of loan and deposit products and services. Using 9/30/96 financial information, gross loans represent approximately 53% of total assets. The primary lending focus is small and medium agricultural loans and consumer loans. The loan portfolio consists of agricultural 49%, commercial and industrial 19%, residential real estate 17%, and other consumer loans 15%. Primary competition consists of a local branch of a larger financial institution located in Alexandria, Minnesota. Other competition consists of financial institutions in the neighboring communities of Glenwood, Lowry, Benson, and Cyrus.

The last CRA examination was dated February 18, 1993.

DESCRIPTION OF THE FIRST NATIONAL BANK OF STARBUCK'S ASSESSMENT AREA

The bank's assessment area (AA) is all of Pope County, a non-MSA county. The population of the AA according to the 1990 census and a 1993 estimate is approximately 10,750. The AA consists of 4 contiguous Block Numbering Areas (BNA's). The AA complies with the requirements of the CRA and does not arbitrarily exclude low- and moderate-income areas.

According to 1990 U.S. Census data, 4,153 families reside in the AA with a median family income of \$24,291. Each of the BNA's within the AA are middle income. Table One includes a breakdown of family incomes within the bank's AA:

Table One

Income Level	% of Population
Low	28%
Moderate	19%
Middle	21%
Upper	32%

The AA is largely dependent on agriculture and tourism. A large recreational lake lies just outside of the city of Starbuck and is centrally located within the AA. Major employers include the school district, a local hospital and nursing home, and other small businesses.

The primary needs of the area include affordable housing for low- and moderate-income families, senior citizen housing, and additional employment opportunities. We determined this by contacting the City of Starbuck and Starbuck Economic Development Authority. The community contacts felt that many residents would like to purchase a home but the existing housing stock is limited and few homes are sold annually.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The First National Bank of Starbuck’s average loan-to-deposit ratio of 60.6% is reasonable given the bank’s size, financial condition and lending opportunities in the assessment area. The average ranks 12th out of 13 banks with under \$75 million in total assets located in Pope, Douglas, or Grant Counties. The loan-to-deposit ratio of these 13 institutions ranges from 51% to 87%.

Lending Inside the Assessment Area

The bank originates a substantial majority of its loans to borrowers located inside of its assessment area. A joint review completed by examiners and bank staff indicated that during the period from 5/1/95 to 9/30/96 the bank originated 93% of the number of all loans and 97% of the dollar volume of all loans within the AA.

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

The First National Bank of Starbuck has a good record of lending to businesses and farmers of different sizes. A review of lending to individuals of different income levels could not be completed as the bank does not consistently obtain income information for personal loans.

Table Two demonstrates the bank's lending to businesses and farmers of different sizes. The table represents a judgmental sample of 30 business and agriculture loans totaling \$514M extended during the past 18 months. This equals approximately 25% of the business and agriculture loans made during this period. The table illustrates the percentage of number of loans and percentage of dollar volume of loans extended to businesses and agricultural borrowers of different annual sales sizes within the bank's AA:

Table Two

Annual Sales	Number	Amount
<\$100,000	63%	30%
\$100,000-\$250,000	27%	22%
\$250,000-\$500,000	0%	0%
\$500,000-\$1,000,000	3%	39%
>\$1,000,000	7%	9%

Geographic Distribution of Loans

The analysis of the geographic distribution of loans was not completed. All four BNA's located in the bank's AA are medium income and a geographic analysis would not be meaningful.

Record of Compliance with Antidiscrimination Laws

Based on our review, the bank is complying with antidiscrimination laws. No violations of the antidiscrimination laws and regulations were identified.