

# **PUBLIC DISCLOSURE**

**August 10, 2004**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**American Savings, Inc.  
FDIC Certificate Number: 34549**

**341 Third Street  
P.O. Box 221  
Farmington, Minnesota 55024-0221**

**Federal Deposit Insurance Corporation  
2345 Grand Boulevard, Ste 1200  
Kansas City, MO 64108**

**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.**

**TABLE OF CONTENTS**

I. General Information.....1

II. Institution Rating .....2

III. Description of Institution.....3

IV. Description of Assessment Area .....3

V. Conclusions .....5

## 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 American Savings, Inc., Farmington, Minnesota, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of August 10, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

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

The bank's CRA performance, as supported by the following findings, depicts a satisfactory record of meeting the credit needs of its designated assessment area<sup>1</sup>.

- The bank's average net loan-to-deposit ratio of 79 percent since the previous evaluation reflects a willingness to extend credit. This ratio is reasonable when compared to other similarly situated lenders. The bank's net loan-to-deposit ratio as of March 31, 2004, was 79 percent.
- The bank's lending inside the assessment area is reasonable, with 55 percent of the number and 78 percent of the dollar volume of commercial loans sampled located in the assessment area.
- The sample of commercial loans in the assessment area indicates a satisfactory penetration among businesses of different sizes. The commercial sample found that 58 percent of the number of loans was extended to businesses with less than \$500,000 in gross revenue.
- The bank's geographic distribution of loans was reasonable based on the location of the bank's office and the limited number of moderate-income CTs in the assessment area.
- The bank has not received any CRA-related complaints since the previous evaluation.

---

<sup>1</sup>The Community Reinvestment Act (CRA) requires financial institutions to identify one or more "assessment area(s)" within which the appropriate regulatory agency will evaluate the bank's CRA performance. Typically, an institution's assessment area will include the towns, cities, counties, or other political subdivisions in which its offices are located and a substantial portion of its loans are made. Assessment areas must consist of one or more "census tracts (CTs)", which are statistical subdivisions of a county.

Median family income information from the 2000 Census is now available. Therefore, in order to determine the income category for each geography located in the bank's assessment area, examiners compared the 2000 Census Bureau State of Minnesota median family income to the median family income for each CT. The median family income for the Minneapolis/St. Paul MSA was \$65,825 and the Non-Metropolitan Area of Minnesota was \$46,023.

<i>Low-income</i>	<i>Income of less than 50 percent of the area median family income (MFI)</i>
<i>Moderate-income</i>	<i>Income of at least 50 percent and less than 80 percent of the area MFI</i>
<i>Middle-income</i>	<i>Income of at least 80 percent and less than 120 percent of the area MFI</i>
<i>Upper-income</i>	<i>Income of at least 120 percent or more of the area MFI</i>

## **DESCRIPTION OF INSTITUTION**

American Savings, Inc., which is an industrial thrift institution, operates from a main office in Farmington, Minnesota. The bank did have a branch in LaCrescent, Minnesota, until it was closed on March 19, 2004. The bank is owned by Waseca Bancshares, Inc., which is a two-bank holding company. The bank's financial condition allows it to serve the needs of the local area. Management did not identify any legal impediments that would inhibit the bank's willingness and ability to meet community credit needs. However, the bank is somewhat limited in its product offerings since it can not offer transactional deposit accounts. The bank was rated "Satisfactory" at the prior CRA Performance Evaluation on November 10, 1999.

The bank is located 25 miles south of the Minneapolis/St. Paul metropolitan area. The bank's loan portfolio is primarily invested in commercial-related loans, which comprise 47 percent of the loan portfolio as of March 31, 2004. Management indicated that the bank's primary focus is commercial lending. The bank also offers residential real estate (30 percent); agricultural (14 percent), and consumer loans (2 percent). In addition, the bank offers SBA guaranteed loans. The bank's total assets as of March 31, 2004, were \$31,838,000, which is a 13 percent decrease from the September 30, 2002, total assets of \$36,653,000.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area includes all of Dakota and Scott Counties and the majority of Goodhue County, Minnesota. Dakota and Scott Counties are located in the Minneapolis/St. Paul Metropolitan Statistical Area (MSA # 33460), while Goodhue County is located in the nonmetropolitan area of the State of Minnesota. The bank's office is located in CT 609.03 in Dakota County, Minnesota.

According to 2000 Census data, the assessment area has 127,503 families, of which 12 percent are low-income, 17 percent are moderate-income, 28 percent are middle-income, and 43 percent are upper-income. 2000 Census data also showed that just over 2 percent of families live below the poverty level<sup>2</sup>.

The 2000 Census data indicates that the population of the assessment area was 477,369. According to Census Bureau information, the population of Dakota County increased 29 percent from 1990 to 2000. The community contact indicated that the area population in the Farmington area has increased substantially with the population increasing from approximately 6,000 people to 18,000 people over the last four years. The Department of Housing and Urban Development's (HUD) estimated median family income for the nonmetropolitan areas of the State of Minnesota

---

<sup>2</sup> Poverty level is an established dollar threshold rather than a percentage based calculation of the median family income. Specifically, for a family of four, the 2000 poverty level threshold was \$17,050; therefore, a family earning less than \$17,050 was below the poverty level. This figure is determined on a national level and is not adjusted regionally.

for 2003 is \$51,700 and for the Minneapolis/St. Paul metropolitan area the estimated median family income for 2003 is \$75,300.

Management and local individuals contacted during the evaluation indicated that the area's economy is strong. The contact felt that most of the area Farmington businesses are doing very well with a few that are struggling. The contact indicated that housing and commercial development are the driving economic force in the area. The contact felt that the primary credit needs are commercial-related. The contact described Farmington as a bedroom community of the Minneapolis/St. Paul metro area. Major employers in the local area include: Federal Aviation Administration, local school systems, and Valmont Lexington.

Housing data from the 2000 Census shows that the assessment area has 178,486 housing units; with approximately 20 percent of the units being rental-occupied and 2 percent are vacant. The median age of homes is 20 years, and the median housing value is \$155,777. The contact indicated that the residential areas around Farmington are growing at a rapid pace, with the median price of new homes around \$250,000. However, the contact did feel that there is a shortage of apartments and moderate-priced homes. Vacant lots are selling for around \$75,000. According to the Census Bureau, single family housing permits increased over 18 percent from 2002 to 2003 in Dakota County, Minnesota, while multi-family housing permits increased almost 12 percent during the same time.

There are 29 financial institutions that have headquarters located in the assessment area, and 20 other financial institutions with branches in the assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### ***Loan-To-Deposit Ratio Analysis***

The bank's average net loan-to-deposit ratio since the previous evaluation reflects a reasonable level of lending considering the size of the bank, loan demand, and in comparison to other similarly situated lenders<sup>3</sup>. The bank has maintained an average 18 quarter net loan-to-deposit ratio of 79 percent. The bank's ratio is the sixth highest out of fourteen other similarly situated lenders. The average ratio for the 14 area banks, including the subject bank, is 75 percent. The ratio has ranged from a low of 73 percent on March 31, 2003, to a high of 93 percent on March 31, 2000. Overall, the bank's loan-to-deposit ratio is reasonable in comparison to other similarly-situated lenders.

### ***Lending Evaluation***

The evaluation of the bank's lending performance in the assessment area is based on a sample of commercial loans. Commercial loans were selected since they comprise 47 percent of the bank's loan portfolio as of March 31, 2004, and bank management indicated that the bank's primary focus is commercial lending. Examiners reviewed the bank's home mortgage disclosure (HMDA) data from 2002 and 2003; however, this data is not being included in the Performance Evaluation due to the limited number of home loans the bank originated. There were only 27 loans originated in CY 2002 and 18 in CY 2003. The time period reviewed includes all loans originated from July 21, 2003, to July 21, 2004, which is the date of the loan download provided by the bank. The commercial loan sample included 22 loans totaling \$1,579,108 out of a total universe of 42 loans totaling \$5,381,409.

### ***Lending Inside the Assessment Area***

The bank's lending in the assessment area is satisfactory. The sample revealed that 55 percent of the number and 78 percent of the dollar volume of the commercial loans were located inside the assessment area.

---

<sup>3</sup> *Similarly situated lenders were selected based on total assets, proximity to subject bank's assessment area, and loan mix.*

### ***Lending To Businesses of Different Sizes***

The sample of commercial loans in the assessment area indicates a satisfactory penetration among small businesses. The commercial loan sample revealed that 58 percent of the number of loans the bank originated inside the assessment was extended to businesses with less than \$500,000 in gross revenue, while businesses with revenue less than \$1,000,000 included 92 percent of the loans sampled<sup>4</sup>. According to 2003 D&B business demographic information, 87 percent of the businesses in the assessment area reporting economic data had gross revenues under \$500,000, while 92 percent reported revenues of less than \$1,000,000. The bank's record of lending to businesses of different sizes is reasonable in comparison of the 2003 business demographic information for lending to businesses with gross revenue under \$1,000,000. The commercial loan sample does not compare as favorable to the business demographic information for businesses under \$500,000, but overall, the record of lending to businesses of different sizes is reasonable.

### ***Geographic Distribution of Loans***

The bank's assessment area includes 8 (7 percent) moderate-income, 67 (58 percent) middle-income, and 40 (35 percent) upper-income CTs. All of the commercial loans sampled that were inside the assessment area were located in middle- and upper-income CTs. The bank's geographic distribution of loans is reasonable when considering that only seven percent of the CTs are moderate-income, and the CTs around the bank's only office are middle- and upper-income.

### ***CRA Complaints***

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

### ***Anti-Discrimination Laws and Regulations***

Examiners did not discover any substantive violations of the anti-discriminatory regulations during the evaluation.

---

<sup>4</sup>The revenue size of the businesses in the sample was determined by reviewing 2002 and 2003 tax returns and 2003 and 2004 cash flows. If this information was not available, management estimated the revenue of the borrowers.