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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

October 24, 1996

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Miners National Bank of Eveleth  
Charter Number 6991**

**P. O. Box 120  
Eveleth, Minnesota 55734**

**Office of the Comptroller of the Currency  
Duluth Duty Station  
302 West Superior Street, Suite 307  
Duluth, Minnesota 55802**

**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 Miners National Bank of Eveleth prepared by the Comptroller of the Currency, the institution's supervisory agency, as of October 24, 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 Miners National Bank of Eveleth originated a substantial majority of its loans within its assessment area. Loan officers have responded to area credit needs, and have made a large number of loans to individuals with low and moderate incomes and to businesses of various sizes.

The following table indicates the performance level of The Miners National Bank of Eveleth with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Miners National Bank of Eveleth</u> 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		X	
Response to Complaints	The bank has received no complaints since the prior examination.		

## **DESCRIPTION OF INSTITUTION**

The Miners National Bank of Eveleth (Miners) is a single office, independent, \$29 million bank located in northeastern Minnesota, approximately 60 miles north of Duluth, in a region known as the Iron Range. The bank is primarily a real estate lender, with 44% of its \$18 million loan portfolio consisting of one-to-four family residential real estate loans. In addition, the bank has a growing commercial loan portfolio, which now totals 32% of the bank's total loans. Consumer loans represent 21% of the portfolio.

There are no financial constraints that inhibit the bank's CRA performance.

## **DESCRIPTION OF THE MINERS NATIONAL BANK OF EVELETH'S ASSESSMENT AREA**

Miner's assessment area includes all of the north-central portion of St Louis County, which makes up the majority of the Duluth, Minnesota/Superior, Wisconsin Metropolitan Statistical Area. The southern portion of the county is serviced by financial institutions in the Duluth/Superior area.

The assessment area, which has a total population of approximately 79,000 people, consists of 27 census tracts, including one low-income and four moderate-income tracts. The assessment area does not reflect illegal discrimination, and does not arbitrarily exclude any low- or moderate-income areas. The 1990 median family income in the assessment area is \$30,234.

The area economy remains stable. The primary industries in the area are taconite mining and processing, and related businesses. In addition, recently there has been an increasing trend in tourism and the logging/timber industries.

Three community contacts were made previously, two with area development organizations, and the third with a local realtor. They agreed there are no significant unmet credit needs in the area. They indicated that the area's primary credit needs are for residential real estate and small business loans. Also, they stated that the area has a significant retiree population

which typically has lower credit needs. (The area population is aging, with people over 65 comprising 19% of the assessment area).

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

### **Loan-to-Deposit Ratio**

The bank's quarterly loan-to-deposit ratio is reasonable in relation to its size, financial condition, and assessment area credit needs. The bank's average loan-to-deposit ratio over the past nine quarters since our last compliance examination is 63.3%. This is approximately the same as the 63.2% average for similar sized area banks (St. Louis County banks with total assets less than \$50 million)

### **Lending in the Assessment Area**

Miners originates a substantial majority of its loans within its assessment area. Bank management began compiling census tract data on all borrowers January 1, 1996. We tested their report system and found it to be accurate. Based on this data, 91.1% of the \$4,724,000 loans extended since January 1, 1996 were within the assessment area (88.3% of the 493 total number of loans).

Most of those loans (61% of number and dollars) were to borrowers in Eveleth and the surrounding area, including nearby Virginia. One of the 4 moderate-income tracts in the assessment area is in the city of Virginia. The bank has made no loans in the one low-income tract in the assessment area. However, the low census tract is very sparsely populated, containing only 14 households.

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

Miners is doing a good job lending in its assessment area to borrowers of different income levels and businesses of different sizes. Bank management began compiling income data on consumer loans and revenue data on commercial customers January 1, 1996. We tested their reporting systems and found them to be accurate.

Based on this data, as indicated by the chart below, the number of loans originated by the bank since January 1, 1996, to borrowers of low-and moderate-income levels was commensurate with the number of families in these income categories. This demonstrates a good penetration of consumer loans to borrowers in all income categories relative to the percentage of families in the assessment area, especially in the low-and moderate income levels. Furthermore, 41% of the number of consumer loans made since January 1, 1996, and 20% of the dollar volume, were to households with incomes less than \$25,000.

### **BREAKDOWN OF CONSUMER LOANS BY INCOME LEVEL**

INCOME LEVEL* OF BORROWERS	% OF BANK ORIGINATIONS (DOLLARS)	% OF BANK ORIGINATIONS (NUMBERS)	% OF FAMILIES IN ASSESSMENT AREA IN EACH INCOME LEVEL
LOW INCOME (<50% OR \$15,000)	8.0%	19.5%	27.7%
MODERATE INCOME (51-80% OR \$15,001- \$24,000)	12.0%	21.7%	15.5%
MIDDLE INCOME (81-120% OR \$24,001- \$36,000)	10.5%	17.3%	16.3%
UPPER INCOME (>120% OR MORE THAN \$36,000)	69.5%	41.5%	40.5%

\*(Based on 1990 assessment area median family income of \$30,234)

Miners is also an active commercial lender, primarily to small businesses: those with annual revenues less than \$1 million. The bank has a relatively large commercial loan portfolio, totaling 32% of loans, compared to 17% for similar banks. Based on bank data, as indicated by the chart below, 88% of the commercial loans originated by the bank since January 1, 1996, were to small businesses.

**BREAKDOWN OF COMMERCIAL LOANS BY ANNUAL REVENUES**

GROSS ANNUAL BUSINESS REVENUES (000'S)	NUMBER OF BORROWERS	% OF BORROWERS
Up to \$300	39	59%
\$301-\$500	5	8%
\$501-\$1,000	14	21%
\$1,001-\$4,000	8	12%
TOTAL	66	100%

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans reflects reasonable distribution throughout the bank's assessment area. Based on the bank prepared data previously mentioned, loans made since January 1, 1996 are concentrated in the Eveleth and nearby Virginia census tracts (61% of dollars and number of loans made). The remaining loans in the bank's portfolio are reasonably dispersed throughout the assessment area, considering competing financial institutions, distance from the bank, and the sparse populations in the outlying areas.

**REVIEW OF COMPLAINTS**

The bank has not received any complaints since the last compliance examination in 1994.