



Comptroller of the Currency
Administrator of National Banks

Small Bank

Eau Claire Field Office
P.O. Box 8187
Eau Claire, Wisconsin 54702-8187

PUBLIC DISCLOSURE

March 15, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Security National Bank of Durand
212 West Prospect Street
Durand, Wisconsin 54736**

Charter # 14095

**Office of the Comptroller of the Currency
920 Second Ave. S. Suite 800
Minneapolis, MN 55402**

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 Security National Bank of Durand, prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of March 15, 1999. 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 Record of Meeting Community Credit Needs**.

- o The bank has a good distribution of lending to consumer borrowers of different income levels in relation to the demographics of the assessment area.
- o The bank has a reasonable distribution of lending to businesses and farms of different sizes given the demographics of the assessment area.
- o The bank has a good distribution of loans to consumers in moderate-income block numbering areas.
- o The bank originates a substantial majority of their loans inside their assessment area.
- o The bank has a reasonable loan-to-deposit ratio.

DESCRIPTION OF INSTITUTION

Security National Bank (SNB) is a widely held \$118 million institution located in Durand, Wisconsin, a city of approximately 2,000 people located about 26 miles southwest of Eau Claire, Wisconsin. The bank has a main office located in Durand in a middle income block numbering area. SNB has no branches and operates one ATM located in Durand.

The bank's primary focus is agricultural and commercial lending. As of December 31, 1998, the bank's \$53 million loan portfolio consisted of 64% agricultural and commercial loans, 26% residential real estate mortgages and 10% consumer loans. Net loans and leases comprised 46% of the bank's total assets. The bank participates in the Wisconsin Housing and Economic Development Authority CROP loan program which provides guarantees of up to \$20 thousand for production expenses in planting crops. The bank funded 31 loans totaling \$443 thousand in this program during 1998. They also participate in the Farm Services Agency agricultural loan program and had originated 35 loans totaling \$3.8 million as of February 28, 1999. There are no legal or financial impediments limiting the bank's ability to meet community credit needs.

The bank's last CRA rating was a "Satisfactory Record of Meeting Community Credit Needs" dated December 22, 1995.

DESCRIPTION OF THE ASSESSMENT AREA

SNB's assessment area consists of nine block numbering areas (BNAs). The two BNAs located in the eastern portion of Pierce County are moderate-income BNAs. The remaining BNAs are middle-income with three located in the northern half of Buffalo County, two located in the southern portion of Dunn County, and the remaining two covering Pepin County in its entirety.

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

Based on 1990 Census data, the population of the bank's assessment area is 29,312. The median family income from the 1990 census for the bank's assessment area is \$33,128. The updated 1998 median family income is \$46,022. A breakdown of family income levels in the assessment area show 23% as low income, 22% as moderate income, 25% as middle income, and 30% as upper income. Thirteen percent of the number of households are below poverty level. The median housing value is \$41,448 and 70% of the housing is owner occupied.

The local economy is stable and is heavily dependent on agriculture, primarily dairy. Unemployment for the four counties in the bank's assessment area averaged 3.7% at December 31, 1998 which is comparable to the State of Wisconsin level of 3.2%.

Competition among financial institutions in the assessment area is strong with several other banks, branches of out-of-area banks, and two offices of the Farm Credit Services located in the bank's assessment area. Several regional banks also compete for commercial credits.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

The bank does a good job of lending to borrowers of different income levels and to businesses of different sizes. Commercial borrowers have a wide diversity of gross revenue levels ranging from a few thousand to several million dollars. A random sample of 50 commercial customer files indicates the following breakdown of annual revenues.

Lending Distribution Based on Revenue Size of Businesses Farms 1997 Business and Agricultural Loan Originations		
Revenue Size of Businesses Sampled \$(000's)	Bank Lending Distribution by Number of Loans	Percentage of Businesses in each Revenue Category (census information)
< \$100	22%	74%
\$100 - \$250	38%	
\$250 - \$500	20%	
\$500 - \$1,000	2%	5%
> \$1,000	10%	8%
Revenue not reported	8%	13%
Totals	100%	100%

The following table is based on an analysis of 88 consumer loan files containing income information for the borrower. The files were from those reviewed during our examination of the bank's compliance with consumer laws and regulations. These files were for secured consumer loans and residential real estate mortgage products. These customers were randomly selected from all consumer loans and residential real estate mortgages originated since February 1998.

Lending Distribution Based on Income Level of Consumer Borrowers June 1997 - June 1998 Consumer Loan Originations		
Borrower Income Level	Bank Lending Distribution by Number of Loans	Percentage of Families in each Income Category (census information)
Low	36%	23%
Moderate	23%	22%
Middle	24%	25%
Upper	17%	30%
Totals	100%	100%

As indicated by the above table, 59% of loans were made to low- and moderate-income borrowers which is substantially higher than the actual percent of these families located in the assessment area (45%). A comparison of zip codes and BNA boundaries indicated they are roughly comparable.

Geographic Distribution of Loans:

Our analysis of the loan portfolio also indicates there is a good geographic distribution of customers throughout the assessment area. The locations of the loan customers were determined using zip codes as proxies for the BNAs.

The following table is per a zip code analysis of the bank's entire loan portfolio. Low- and upper-income BNAs were not considered as bank's assessment area does not include either of these income level BNAs. The table indicates that the percentage of loan customers in moderate income BNAs is substantially higher than the population in those BNAs.

Geographic Distribution based on Number and Dollar Amount of Loans Made in BNA				
	% of Number Located in Moderate-income BNAs	% of Dollar Amount Located in Moderate-Income BNAs	% of Number Located in Middle-Income BNAs	% of Dollar Amount Located in Middle-Income BNAs
Commercial & Agricultural Loans	82%	83%	18%	17%
Residential Real Estate Mortgages	90%	90%	10%	10%
Consumer Loans	89%	85%	11%	15%
Population in the Assessment Area (census information)	78%		22%	

Lending in the Assessment Area:

SNB originates a substantial majority of its loans inside its assessment area. Our conclusions are based on the dollar amount and number of all commercial loans, residential real estate mortgages and consumer loans in the bank's loan portfolio. A comparison of zip codes and BNA boundaries indicated they are roughly comparable. Due to this, the locations of the above customers were determined using their zip code as a proxy for the BNA address. The following table illustrates the level of lending inside the bank's assessment area:

Penetration of Lending Inside the Bank's Assessment Area		
	% of Total Number of Loans Inside the Assessment Area	% of Total Dollar Amount of Loans Inside the Assessment Area
Commercial & Agricultural Loans	93%	91%
Residential Real Estate Mortgages	95%	89%
Consumer Loans	86%	87%

Loan-to-Deposit Analysis

The bank's average quarterly loan-to-deposit ratio from December 1996 through December 1998 is 56% percent. This ratio is reasonable given the bank's size, financial condition and lending opportunities within its assessment area. SNB did have the second lowest average loan-to-deposit ratio compared to five other similarly situated banks in their assessment area. These five banks had average loan-to-deposit ratios ranging from 53% to 88% over the same time period. The average loan-to-deposit ratio of the six banks in the assessment area was 69%.

Response to CRA Related Complaints

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

Compliance with Antidiscrimination Laws

Security National Bank of Durand is in compliance with applicable antidiscrimination laws and regulations. We found no evidence of apparent disparate treatment during our fair lending review.