

## **PUBLIC DISCLOSURE**

April 5, 1999

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

Marquette Bank Nebraska, National Association  
Charter Number 3424  
330 East Douglas  
O'Neill, Nebraska 68763

**Office of the Comptroller of the Currency  
Sioux Falls Field Office  
300 North Dakota Avenue, Suite 504  
Sioux Falls, South Dakota 57101**

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.

## GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations may be used throughout this Performance Evaluation:

**Assessment Area** - The geographic area in which an institution's CRA performance is assessed. Generally, an urban assessment area will not extend beyond the boundaries of a metropolitan statistical area (MSA). A rural assessment area may contain one or more neighboring counties.

**Block Numbering Area** - A small, statistical area within a nonmetropolitan county (also known as a "geography").

**Community Development Loan** - A loan with a **primary** purpose of community development. With one exception community development loans specifically exclude loans reported in Home Mortgage Disclosure Act (HMDA) or CRA (small loans to businesses and farms) Disclosure Statements. Multi-family rental housing loans can be reported under HMDA and count as community development loans.

**Community Development Purpose** - Affordable housing (including multifamily rental housing) for low- and moderate- income (LMI) individuals; community services targeted for LMI individuals; activities that promote economic development by financing businesses or farms that meet certain size and revenue standards prescribed by regulation; and, activities that vitalize or stabilize LMI geographies.

**Income Levels** - The regulation prescribes various income levels, relating to individuals, families and geographies: low-income = less than 50% of the median family income; moderate-income = at least 50%, but less than 80% of the median; middle-income = at least 80%, but less than 120% of the median; and, upper-income = 120% or more of the median.

**Median Family Income** - The median family income is determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

## GENERAL INFORMATION

*The Community Reinvestment Act 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 **Marquette Bank Nebraska, N.A., O'Neill, Nebraska**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **April 5, 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."

- C Marquette Bank Nebraska, N.A. meets the credit needs of the community, as demonstrated by its quarterly average loan-to-deposit ratio of 53 percent since the bank's prior CRA examination.
- C A substantial majority of loans by both number (94 percent) and by dollar volume (98 percent) are located within the bank's defined assessment area.
- C The bank actively lends to individuals of different income levels (including low- and moderate-income borrowers), and meets community demographics for lending to farms and businesses of different sizes.

## DESCRIPTION OF INSTITUTION

Marquette Bank Nebraska, N.A., O’Neill, Nebraska (Marquette Bank) is a \$50 million commercial bank. The bank’s only office is a full-service facility located in downtown O’Neill. The bank also has a drive-up window at the main facility and an automated teller machine (ATM) located on Highway 20.

Marquette Bank’s business focus is agricultural lending. According to its Report of Condition and Income, the bank has the following outstanding loans by dollar volume on December 31, 1998: agricultural (40 percent), commercial (23 percent), residential real estate (20 percent) and consumer (17 percent). Net loans total 48 percent of total assets.

The bank is 100 percent owned by Marquette Bancshares, Inc., a \$2.2 billion multi-bank holding company headquartered in Minneapolis, Minnesota. Affiliates include 11 other commercial banks and one brokerage company.

Marquette Bank Nebraska, N.A. received an “Outstanding” rating at its November 21, 1995, CRA examination. This Performance Evaluation assesses the bank’s CRA activities from December 1, 1995 through April 1, 1999. There are no financial, legal, or other factors which impede the bank’s ability to meet the credit needs in its assessment area.

## DESCRIPTION OF ASSESSMENT AREA

Marquette Bank identifies its assessment area as Holt County, Nebraska, which includes four block numbering areas (BNAs). The total population of the assessment area is 12,599 persons, according to 1990 U.S. Census Data.

The assessment area complies with regulatory requirements. It includes the Marquette Bank main office and ATMs, as well as a majority of the bank’s loans. The area does not arbitrarily exclude any low- or moderate-income BNAs.

The U.S. Department of Housing and Urban Development’s 1998 updated statewide non-MSA median family income (MFI) estimate for Nebraska is \$39,300. The following table summarizes the income levels of individual BNAs and families located within the bank’s assessment area:

INCOME DISTRIBUTION OF GEOGRAPHIES AND FAMILIES								
Assessment Area	Number of BNAs				Percentage of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Holt County	0	0	4	0	20%	23%	25%	32%

Source: U.S. Census Data (1990)

## **DESCRIPTION OF ASSESSMENT AREA (CONTINUED)**

The assessment area has 11.6 percent of families with incomes below the poverty level (less than 30 percent of MFI).

According to 1990 U.S. Census Data, the median housing value is affordable at \$31,403 and the average age of homes is 46 years. Nearly 61 percent of housing in the assessment area is owner-occupied. Rental units have an average gross rent of \$255 per month, which is also fairly low in relation to income levels.

Major employers in Holt County are National Farms, CSS Nonpareil Farms, Avera St. Anthony's Hospital, and the local public school system. Unemployment in Holt County is relatively low at 3.2 percent as of March, 1999. However, this is above the 2.3 percent unemployment rate for the state of Nebraska.

Competition from other financial institutions is strong. Including Marquette Bank, there are seven financial institutions with banking offices in Holt County. The bank ranks third among the seven banks with deposit market share of 18.76 percent.

We did not identify any unmet credit needs in Marquette Bank's assessment area through our contact with the local Chamber of Commerce representative. The contact identified the primary credit needs of the assessment area to be agricultural and small business lending. The contact also indicated that all local financial institutions are very supportive of the local community.

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

### Loan-to-Deposit Ratio:

Marquette Bank's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net loan-to-deposit ratio averaged 53.01 percent over 14 quarters from December 31, 1995, to March 31, 1999. Marquette Bank's net loan-to-deposit ratio trend is slightly increasing and totals 58.58 percent on March 31, 1999. The bank also originated five agricultural real estate loans totaling \$850 thousand and 38 residential real estate loans totaling \$2.2 million that were sold on the secondary market.

Marquette Bank's net loan-to-deposit ratio compares with other community banks of similar size (total assets between \$10 and \$65 million) in the assessment area. The other four banks had quarterly

average net loan-to-deposit ratios averaging 64 percent and ranging from 59 percent to 70 percent over 13 quarters from December 31, 1995, through December 31, 1998. Marquette Bank ranks fifth among a total of five similarly-situated banks chartered in the assessment area. This is reasonable considering the substantial level of loans sold on the secondary market. When these loans are added to net loans for March 31, 1999, the resulting loan-to-deposit ratio would approximate 66 percent, well within the range of the other similarly-situated banks.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

Lending in Assessment Areas:

Marquette Bank originates a majority of its loans to borrowers located within its defined assessment area. The bank originated 2,918 loans totaling \$64 million between December 1, 1995 and April 1, 1999. From this population, we sampled 31 agricultural loans, 31 commercial loans, 31 consumer auto loans and 30 consumer junior lien home loans. We did not sample residential real estate loans as they represented only three percent of the number and five percent of the dollar volume of loans originated since December 1, 1995. The following table shows loans originated inside the assessment area by number and dollar volume:

<b>LENDING IN ASSESSMENT AREA BY NUMBER AND DOLLAR AMOUNT (000s)</b>						
Type of Loan	Number in AA	Sample Size	Percent of Number	Dollars in AA	Sample Size	Percent of Dollars
Agricultural	28	31	90%	\$3,105	\$3,187	97%
Commercial	31	31	100%	\$1,410	\$1,410	100%
Auto	26	31	84%	\$264	\$314	84%
Junior Lien	30	30	100%	\$679	\$679	100%
<b>Total</b>	<b>115</b>	<b>123</b>	<b>94%</b>	<b>\$5,458</b>	<b>\$5,590</b>	<b>98%</b>

Source: Bank records (verified by examiners)

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

Overall, the distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels. Lending to businesses and farms meets community demographics; lending to low- and moderate-income individuals exceeds community demographics for junior lien home loans and approaches community demographics for consumer auto loans.

Agricultural lending activity in the assessment area meets community demographics and shows good

dispersion among the various revenue levels. Marquette Bank originated 951 agricultural loans totaling \$33 million between December 1, 1995 and April 1, 1999. Examiners sampled 28 agricultural and agricultural real estate borrowers representing three percent of agricultural borrowers with loans originated in the assessment area between December 1, 1995 and April 1, 1999. We note fewer loans to farms with very low revenues of less than \$50,000. This is reasonable as farmers with less than \$50,000 in gross revenues are generally part-time or “hobby farmers” whose additional outside income supports the farm operation and eliminates the need to borrow money. In addition, the 1997 Agricultural Census shows the average market

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

value of agricultural products sold per farm in Holt County to be \$190,607. Fifty percent of our sample represent loans to farms with less than \$100,000 in annual revenues. The following table compares the bank’s agricultural lending activity by revenue size to community demographics:

<b>BORROWER DISTRIBUTION OF AGRICULTURAL LOANS BY REVENUE SIZE</b>			
Annual Gross Revenue	Number	Percent of Number	Agriculture Census Demographics (1997)
<\$ 50,000	6	21%	54%
\$ 50,000-\$100,000	8	29%	16%
\$100,000-\$250,000	6	21%	17%
\$250,000-\$500,000	3	11%	8%
>\$500,000	5	18%	5%
Totals	28	100%	100%

Source: Bank records (verified by examiners) and U.S. Agricultural Census Data (1997)

Commercial lending activity in the assessment area meets community demographics. Marquette Bank originated 639 commercial loans totaling \$16 million between December 1, 1995 and April 1, 1999. The largest number of loans in the assessment area were originated to small businesses with less than \$50,000 in annual revenues. Examiners sampled 31 commercial and commercial real estate borrowers representing five percent of the loans originated in the assessment area between December 1, 1995 and April 1, 1999. The following table compares the bank’s commercial lending activity by revenue size to community demographics:

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)**

<b>BORROWER DISTRIBUTION OF COMMERCIAL LOANS BY REVENUE SIZE</b>			
Annual Gross Revenue	Number	Percent of Number	Business Demographic Data
<\$50,000	9	29%	93%
\$ 50,000-\$100,000	4	13%	
\$100,000-\$250,000	7	22%	
\$250,000-\$500,000	3	10%	
\$500,000-\$1,000,000	5	16%	
>\$1,000,000	3	10%	7%
Totals	31	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Business Demographic Data (1990)

Junior lien home lending activity in the assessment area exceeds the community demographics for both low-and moderate-income borrowers. Marquette Bank originated 113 junior lien home loans totaling \$3.3 million between December 1, 1995 and April 1, 1999. Examiners sampled 25 junior lien home borrowers representing twenty-two percent of junior lien borrowers with loans originated in the assessment area between December 1, 1995 and April 1, 1999. The following table compares the bank's consumer lending activity by borrower income level to community demographics:



<b>BORROWER DISTRIBUTION OF JR LIEN HOME LOANS BY INCOME LEVEL</b>			
Borrower Income Level	Number	Percent of Number	Percent of Families
Low	6	24%	20%
Moderate	9	36%	23%
Middle	6	24%	25%
Upper	4	16%	32%
Totals	25	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (1990)

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONTINUED)

Consumer auto lending activity in the assessment area approaches the community demographics for low-income borrowers and exceeds the demographics for moderate-income borrowers. Marquette Bank originated 550 auto loans totaling \$5.1 million between December 1, 1995 and April 1, 1999. Examiners sampled 26 consumer auto borrowers representing five percent of consumer auto borrowers with loans originated in the assessment area between December 1, 1995 and April 1, 1999. The following table compares the bank's consumer lending activity by borrower income level to community demographics:

<b>BORROWER DISTRIBUTION OF AUTO LOANS BY INCOME LEVEL</b>			
Borrower Income Level	Number	Percent of Number	Percent of Families
Low	3	12%	20%
Moderate	12	46%	23%
Middle	6	23%	25%
Upper	5	19%	32%
Totals	26	100%	100%

Source: Bank records (verified by examiners) and U.S. Census Data (1990)

### Geographic Distribution of Loans:

Analysis of lending by geographic distribution is not meaningful. The assessment area contains only middle-income BNAs.

Response to Complaints:

The bank has not received any CRA-related complaints since the last CRA examination.

**OTHER INFORMATION**

Fair Lending:

Examiners did not identify any substantial violations of fair lending laws and regulations during the fair lending review performed during this compliance examination cycle. Our comparative file review used the benchmark approach to evaluate consumer automobile lending based on gender.