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*Lake Elmo Bank*

*Community Reinvestment Act*

*Public File*

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*Primary Regulator:*      *FDIC (Federal Deposit Insurance Corporation)*

*Established:*              *August 1, 1911*

*Insured Since:*          *December 19, 1936*

*Website:*                  *[www.lakeelmobank.com](http://www.lakeelmobank.com)*

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## PERFORMANCE EVALUATION BY THE FDIC

Dated April 15, 2019

### **CRA Rating: Satisfactory.**

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Lake Elmo Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's performance.

*A copy of the FDIC Public Disclosure Report begins on page 11.*

### **WRITTEN COMMENTS RECEIVED**

**For the Current and preceding, two calendar years**

The bank has received no written comments from the public relating to our CRA performance during this period.

### **HOME MORTGAGE DISCLOSURE ACT NOTICE**

The HMDA data about our residential mortgage lending are available online for review. The data show geographic distribution of loans and applications; ethnicity, race, sex, age and income of applicants and borrowers; and information about loan approvals and denials. HMDA data for many other financial institutions are also available online. For more information, visit the Consumer Financial Protection Bureau's Web site. ([www.consumerfinance.gov/hmda](http://www.consumerfinance.gov/hmda))

FULL SERVICE and ATM LOCATIONS					
Lake Elmo Office 11465 39 <sup>th</sup> St. N., Lake Elmo, MN Census Tract 704.05		Oakdale Office 600 Inwood Ave N., Oakdale, MN Census Tract 709.10		Stillwater Office 1937 Greeley Street, Stillwater, MN Census Tract 706.02	
<b>Lobby</b> 9:00 a.m. to 5:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday		<b>Lobby</b> 9:00 a.m. to 5:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday		<b>Lobby</b> 9:00 a.m. to 5:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday	
<b>Drive-Thru</b> 7:00 a.m. to 6:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday		<b>Drive-Thru</b> 7:00 a.m. to 6:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday		<b>Drive-Thru</b> 7:00 a.m. to 6:00 p.m. Monday – Friday 9:00 a.m. to 12:00 p.m. Saturday	
<b>Walk-Up</b> 7:00 a.m. to 9:00 a.m. Monday – Friday					

LOCATION BANKING	
<b>Limited-service locations:</b> <i>limited deposit services provided to residents of the following Senior Housing facilities.</i>	
<b>Boutwells’s Landing</b> <b>Census Tract 707.01</b> 5600 Norwich Parkway Oak Park Heights, MN 55082 Hours: <ul style="list-style-type: none"> <li>Currently discontinued due to COVID Restrictions</li> </ul>	<b>Oak Meadows</b> <b>Census Tract 709.10</b> 8131-8133 4 <sup>th</sup> St N. Oakdale, MN Hours: <ul style="list-style-type: none"> <li>Currently discontinued due to COVID Restrictions</li> </ul>
<b>Echo Ridge</b> <b>Census Tract 709.12</b> 1033 Gershwin Ave. N Oakdale, MN Hours: <ul style="list-style-type: none"> <li>Currently discontinued due to COVID Restrictions</li> </ul>	<b>St. Therese</b> <b>Census Tract 710.18</b> 7555 Bailey Road St. Paul, MN 55129 Hours: <ul style="list-style-type: none"> <li>Currently discontinued due to COVID Restrictions</li> </ul>
<b>Arbor Glen</b> <b>Census Tract 704.05</b> 11020 39 <sup>th</sup> Street North Lake Elmo, MN Hours: <ul style="list-style-type: none"> <li>Currently discontinued due to COVID Restrictions</li> </ul>	<i>All locations have been locked down since April 2020 due to COVID.            We anticipate going back into the facilities starting In June 2021.</i>

**LAKE ELMO BANK CRA ASSESSMENT AREA**

The Bank’s CRA assessment area includes most of Washington County: North Boundary-HWY 4-West Boundary-Century Ave, East Boundary-River, and the southwest corner is not included.

Please note that our CRA area is different from our lending area. Lending area is defined within the Bank’s Lending Policy:

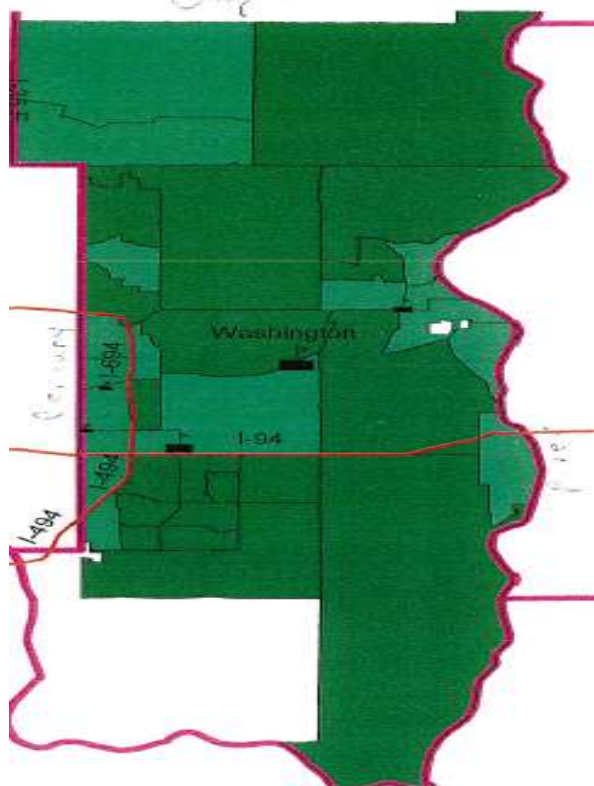
- **Section III Commercial Lending Area > A) Commercial-Industrial Loans > 1. General Requirements**
  - **b.** Banks’ Commercial – Industrial lending will generally be limited to the following counties: Washington, northern Dakota, eastern Ramsey in Minnesota, and western St. Croix in Wisconsin.
- **Section III Commercial Lending Area > C) Land Development Loans > 1. General Requirements**
  - **e.** Banks’ commercial and residential land development lending area will generally be limited to the counties detailed in Exhibit’s “C” – Collateral Pledge Area.
- **Section IV Residential Real Estate Lending > residential Construction Loans > 6. General Requirements**
  - Bank’s residential construction lending area will generally be limited to the counties detailed in [Exhibit “C” - Collateral Pledge Area of the Loan Policy](#). Real estate construction loans may also be extended to established Bank customers for properties in other areas of Minnesota and Wisconsin upon approval by the Commercial Lending Manager or the Chief Credit Officer.

**MSA – Metropolitan Statistical Area**

Minneapolis – St. Paul – Bloomington, MN-WI:	33460
State of Minnesota:	27
Washington County:	163

DETAILED CENSUS TRACT REPORT						
Census Tracts In LEB CRA - All Tracts are in Washington County, MN						
702.03	702.04	702.06	703.01	703.03	703.04	704.03
704.04	704.05	704.06	705.01	705.02	706.01	706.02
707.01	707.03	707.04	708.01	708.02	709.06	709.07
709.09	709.10	709.11	709.12	710.01	710.06	710.10
710.11	710.12	710.13	710.14	710.15	710.16	710.17
710.18	711.01	711.02				

### MAP of CRA Assessment Area



### United States Census Demographics For Lake Elmo, Minnesota (Zip Code 55042)

Population	Lake Elmo MN	United States
Population estimates, July 1, 2019, (V2019)	9,210	328,239,523
Population, Census April 1, 2021	8,069	308,745,538
Age and Sex		
Persons under 5 years, percent	6.9%	6.0%
Persons under 18 years, percent	26.4%	22.3%
Persons 65 years and over, percent	13.3%	16.5%
Female persons, percent	50.0%	50.8%
Race and Hispanic Origin		
White alone, percent	92.2%	76.3%
Black or African American alone, percent <a href="#">(a)</a>	2.0%	13.4%
American Indian and Alaska Native alone, percent <a href="#">(a)</a>	.1%	1.3%
Asian alone, percent <a href="#">(a)</a>	1.5%	5.9%
Native Hawaiian and Other Pacific Islander alone, percent <a href="#">(a)</a>	0.0%	0.2%
Two or More Races, percent	2.1%	2.8%
Hispanic or Latino, percent <b><a href="#">(b)</a></b>	7.2%	18.5%
White alone, not Hispanic or Latino, percent	87.4%	60.1%

<b>Population Characteristics</b>		
Veterans, 2015-2019	324	18,230,322
Foreign born persons, percent, 2015-2019	6.1%	13.6%
<b>Housing</b>		
Housing units, July 1, 2019, (V2019)	N/A	139,684,244
Owner-occupied housing unit rate, 2015-2019	93.2%	64.0%
Median value of owner-occupied housing units, 2015-2019	\$426,600	\$217,500
Median selected monthly owner costs -with a mortgage, 2015-2019	\$2,472	\$1,595
Median selected monthly owner costs -without a mortgage, 2015-2019	\$712	\$500
Median gross rent, 2015-2019	\$1,280	\$1,062
<b>Families &amp; Living Arrangements</b>		
Households, 2015-2019	3,158	120,756,048
Persons per household, 2015-2019	2.83	2.62
Living in same house 1 year ago, percent of persons age 1 year+, 2015-2019	90.0%	85.8%
Language other than English spoken at home, percent of persons age 5 years+, 2015-2019	7.6%	21.6%
<b>Computer and Internet Use</b>		
Households with a computer, percent, 2015-2019	95.9%	90.3%
Households with a broadband Internet subscription, percent, 2015-2019	91.8%	82.7%
<b>Education</b>		
High school graduate or higher, percent of persons age 25 years+, 2015-2019	95.2%	88%
Bachelor's degree or higher, percent of persons age 25 years+, 2015-2019	50.1%	32.1%
<b>Economy</b>		
In civilian labor force, total, percent of population age 16 years+, 2015-2019	70.0%	63.0%
In civilian labor force, female, percent of population age 16 years+, 2015-2019	67.6%	58.3%
Total accommodation and food services sales, 2012 (\$1,000)(c)	12,755	708,138,598
Total health care and social assistance receipts/revenue, 2012 (\$1,000)(c)	31,010	2,040,441,203
Total manufacturers' shipments, 2012 (\$1,000)(c)	8,266	5,696,729,632
Total retail sales, 2012 (\$1,000)(c)	87,670	4,219,821,871
Total retail sales per capita, 2012(c)	\$10,815	\$13,443
<b>Transportation</b>		
Mean travel time to work (minutes), workers age 16 years+, 2015-2019	25.7	26.9
<b>Income &amp; Poverty</b>		
Median household income (in 2019 dollars), 2015-2019	\$118,421	\$62,843
Per capita income in past 12 months (in 2019 dollars), 2015-2019	\$58,744	\$34,103
Persons in poverty, percent	6.2%	10.5%

## Businesses

All firms, 2012	837	27,626,360
Men-owned firms, 2012	368	14,844,597
Women-owned firms, 2012	298	9,878,397
Minority-owned firms, 2012	37	7,952,386
Nonminority-owned firms, 2012	779	18,987,918
Veteran-owned firms, 2012	38	2,521,682
Nonveteran-owned firms, 2012	778	24,070,685

## Fact Notes

- (a) Includes persons reporting only one race
- (b) Hispanics may be of any race, so also included in applicable race categories
- (c) Economic Census – Puerto Rico data are not comparable to U.S. Economic Census data

**SERVICES OFFERED AT OUR FULL-SERVICE LOCATIONS:**

<p><b>LOANS</b></p> <ul style="list-style-type: none"> <li>• COMMERCIAL LOANS             <ul style="list-style-type: none"> <li>○ Business Loans and Lines of Credit</li> <li>○ Including: Small Business Administration Loans (SBA)</li> </ul> </li> <li>• CONSUMER LOANS             <ul style="list-style-type: none"> <li>○ Automobile, Truck and Motor Home Loans</li> <li>○ Motorcycles, Snowmobiles, Boats, Motors, Trailers and mobile homes</li> <li>○ Overdraft Checking</li> <li>○ Loans Secured by Certificate of Deposit</li> <li>○ Home Improvement Loans</li> </ul> </li> <li>• REAL ESTATE LOANS             <ul style="list-style-type: none"> <li>○ 1-4 Family Conventional (existing owner occupied)</li> <li>○ 1-4 Family Construction</li> <li>○ One Time Close Construction/Permanent</li> <li>○ Commercial</li> <li>○ Home Equity Loans and Lines</li> </ul> </li> </ul> <p><b>DEPOSITS</b></p> <ul style="list-style-type: none"> <li>• Business and Consumer Checking Accounts</li> <li>• Savings Accounts</li> <li>• Money Market Deposit Accounts</li> <li>• Certificates of Deposit</li> </ul>	<p><b>IRA PRODUCTS</b></p> <ul style="list-style-type: none"> <li>• Traditional</li> <li>• Roth</li> <li>• Education</li> <li>• SEP (simplified Employee Pension)</li> <li>• HSA Accounts</li> </ul> <p><b>OTHER PRODUCTS &amp; SERVICES</b></p> <ul style="list-style-type: none"> <li>• On-line Banking Services             <ul style="list-style-type: none"> <li>○ Mobile Banking</li> <li>○ Bill Pay</li> <li>○ Bank-to-bank Transfers</li> <li>○ Mobile Deposit (deposit anywhere)</li> </ul> </li> <li>• Wire Transfers</li> <li>• Debit Cards</li> <li>• Safe Deposit Box Rental</li> <li>• HSA Accounts</li> <li>• Gift Cards</li> <li>• Additional Services for Business Customers             <ul style="list-style-type: none"> <li>○ Cash Management Services                 <ul style="list-style-type: none"> <li>▪ ACH origination</li> </ul> </li> <li>○ Remote Deposit Capture</li> <li>○ Lock Box Services</li> </ul> </li> <li>• Trust and Estate Services</li> <li>• Non-deposit Investment Products Offered through Cetera Advisors Networks, LLC</li> </ul>
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At this time all deposit accounts are opened in-person.



## LOAN TO DEPOSIT RATIO

Figures for determining the LTD ratios are pulled from the Bank's call reports – Call reports can be viewed on the FFIEC website at: <https://cdr.ffiec.gov/public/>

The figures to be used can be found on the following Schedules:

RC Schedule (Balance Sheet)

- Deposits #13a
- Loan's use # 4a & 4b

2019 Ratios			
Date	Total Loans X 1,000	Total Deposits X1,000	Loan to Deposit Ratio ( <i>Loans / Deposits</i> )
03-31-2019	261,761	332,940	78.62 %
06-30-2019	270,766	326,976	82.80 %
09-30-2019	275,785	332,677	82.90 %
12-31-2019	277,749	329,871	84.20 %

The Bank's miscellaneous fee schedule has not changed since June 1, 2019.

<h1>miscellaneous</h1>	
FEES	Effective June 1, 2019
Business Continuous Overdraft Fee.....	\$7.00 per day after the 5th day and every day thereafter
Cashier's Checks (Customers Only).....	\$5.00
Check Ordering Fee .....	dependent on style selected
Coin Sorting .....	Free/Customer 5% of Total/ \$3.00 Minimum/Non-customer
Collection Fee .....	\$30.00/Item
Copy of Check.....	\$3.00
Counter Check .....	\$1.00
Debit/ATM ISA Fee .....	2% of transaction (International Service Assessment)
Debit Card Replacement Fee.....	\$8.00
Deposit Bags-Locked .....	\$20.00 \$3.00 Key
Deposit Bags-Unlocked.....	\$5.00
Dormant Accounts .....	\$10.00/Month (on balances \$100.00 or less)
Early Account Closing .....	\$20.00/Account (within 90 days of opening)
Excess Reg D Withdrawal Fee .....	\$10.00/Item
Fax Fees .....	Local - \$3.00 1st page \$1.00 each additional page Long Distance - \$5.00 1st page \$2.00 each additional page
Garnishment/Levy Fee .....	\$100.00
IRA Transfer to another financial institution .....	\$30.00
Notary (Non-customer) .....	\$1.00
Non-Sufficient Funds Item* .....	\$33.00/Item (returned checks)
Overdraft Fee* .....	\$33.00/Item
Overdraft sweep/transfer .....	\$5.00 per transfer
Photocopy .....	\$1.00 each
Ready Reserve Annual Fee.....	\$25.00
*Overdrafts & non-sufficient funds fees may result from: The payment of checks, electronic funds transfers, or other withdrawal requests you initiate. Payments authorized by you. The return of unpaid items deposited by you. Charging your account for our applicable service charges and fees.	
Research and Account Reconciliation.....	\$30.00/Hr. (\$30.00 minimum)
Return Deposit Item.....	\$4.00/Item
Return Deposit Item (Business) .....	\$5.00/Item
Signature Guarantee (Customers Only).....	Free
Special Handling .....	\$5.00
Statement Copy.....	\$5.00
Stop Payment.....	\$33.00
Recurring Electronic Stop Payment .....	\$10.00/Item
Returned Statement Fee**.....	\$10.00
Vise Gift/Travel Cards .....	\$3.95
Wire Transfers - (Customers Only)	
Domestic .....	\$25.00 Outgoing \$10.00 Incoming
Foreign .....	\$50.00 Outgoing \$10.00 Incoming
**Beginning with the second returned statement and for each returned statement thereafter.	
<b>SAFE DEPOSIT BOX RATES</b>	
3" x 5" .....	\$35.00 Annual Rent
5" x 5" .....	\$45.00 Annual Rent
3" x 10" .....	\$55.00 Annual Rent
5" x 10" .....	\$75.00 Annual Rent
10" x 10" .....	\$125.00 Annual Rent
All boxes are 21" deep. Discounted rates available for Relationship <sup>SM</sup> and Integrity <sup>SM</sup> Checking Account customers. Fees are automatically deducted from a Lake Elmo Bank checking or savings account.	
Late Payment Fee.....	\$15.00 (after 60 days)
Safe Deposit Drilling .....	Cost + \$25.00
Safe Deposit Lost Key .....	\$25.00
Safe Deposit Box Manual Billing Service Fee .....	\$10.00
Please reference your checking account type. Some accounts waive various miscellaneous fees.	

# **PUBLIC DISCLOSURE**

April 15, 2019

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Lake Elmo Bank Certificate  
Number: 15443

11465 39<sup>th</sup> Street North  
Lake Elmo, Minnesota 55042

Federal Deposit Insurance Corporation Division  
of Depositor and Consumer Protection Kansas  
City Regional Office

1100 Walnut Street, Suite  
2100 Kansas City, Missouri  
64106

This document is an evaluation of this 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. 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.

## Contents

INSTITUTION RATING .....	13
The Lending Test is rated Satisfactory. ....	13
The Community Development Test is rated Satisfactory. ....	13
General Information.....	14
SCOPE OF EVALUATION.....	14
Loan Products Reviewed .....	14
DESCRIPTION OF INSTITUTION.....	16
Background.....	16
Operations.....	16
Ability and Capacity.....	16
DESCRIPTION OF ASSESSMENT AREA.....	17
Economic and Demographic Data .....	17
Competition.....	20
Community Contact .....	20
Credit and Community Development Needs and Opportunities.....	21
CONCLUSIONS ON PERFORMANCE CRITERIA .....	21
LENDING TEST .....	21
Loan-to-Deposit Ratio .....	21
Assessment Area Concentration .....	22
Geographic Distribution .....	22
<i>Small Business Loans</i> .....	22
<i>Home Mortgage Loans</i> .....	23
Borrower Profile .....	23
<i>Small Business Loans</i> .....	23
<i>Home Mortgage Loans</i> .....	24
Response to Complaints.....	24
COMMUNITY DEVELOPMENT TEST.....	24
Community Development Loans.....	24
Qualified Investments .....	25
Community Development Services.....	26
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW .....	27
GLOSSARY .....	28

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Lake Elmo Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's performance.

### ***The Lending Test is rated Satisfactory.***

- The loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- The bank originated a majority of its small business and home mortgage loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution by borrowers reflects a reasonable penetration of loans among businesses of different revenue sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

### ***The Community Development Test is rated Satisfactory.***

- Lake Elmo Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered Lake Elmo Bank's capacity and the need and availability of such opportunities for community development in the assessment area.

## **General Information**

### **SCOPE OF EVALUATION**

This evaluation covers the period from the prior evaluation dated July 18, 2016, to the current evaluation dated April 15, 2019. Examiners used Interagency Intermediate Small Institution Examination Procedures to evaluate Lake Elmo Bank's performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The Lending Test considered performance according to the following criteria:

- Loan-to-Deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors:

- Number and dollar amount of community development loans and qualified investments, and number of community development services
- The responsiveness of such activities to the community development needs of the assessment area

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

## **Loan Products Reviewed**

Examiners determined that Lake Elmo Bank's major product lines are small business and home mortgage loans. This conclusion considered the business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of the Consolidated Reports of Condition and Income (Reports of Condition). Examiners did not evaluate small farm or consumer loans because they are not a lending focus of the bank and provide no material support for conclusions.

Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. Therefore, examiners reviewed all small business loans originated or renewed between January 1, 2018, and December 31, 2018. This period of time was considered representative of performance during the entire evaluation period. D&B data for 2018 provided a standard of comparison for small business lending performance. Additionally, examiners reviewed home mortgage loans reported on the bank's Loan Application Register pursuant to the Home Mortgage Disclosure Act (HMDA) for 2016, 2017, and 2018. For 2016 home mortgage loans, 2010 U.S. Census data and 2016 aggregate data provided a standard of comparison. For 2017 and 2018 home mortgage loans, 2015 American Community Survey (ACS) data and 2017 aggregate data provided a standard of comparison. While HMDA data for

2016, 2017, and 2018 was reviewed and is included in the Assessment Area Concentration analysis, only data from 2017 is presented throughout the remainder of this evaluation. The review of the 2016 and 2018 data did not identify any trends that are different from 2017 or that would materially affect conclusion, unless specifically noted.

When arriving at overall conclusions, small business and home mortgage loans received equal weight throughout the evaluation. This is consistent with Lake Elmo Banks’s loan portfolio and volume of loans recently originated. The table below provides loan information.

<b>Loan Products Reviewed</b>				
<b>Loan Category</b>	<b>Universe</b>		<b>Reviewed</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Small Business	205	35,341	47	9,577
Home Mortgage 2016	92	13,202	92	13,202
Home Mortgage 2017	169	33,992	169	33,992
Home Mortgage 2018	210	39,335	210	39,335

*Source: Bank records, 2016, 2017, and 2018 HMDA Data.*  
*Note: The small business loan universe excluded loans that the bank opted to have considered as community development loans.*

For small business loans under the Lending Test, the universe of small business loans were used to evaluate the Assessment Area Concentration. In addition, the universe of small business loans originated, renewed, or purchased within the assessment area (148 loans totaling \$25.9 million) were used to evaluate the Geographic Distribution criterion. For the Borrower Profile criterion, a sample of 47 small business loans totaling \$9.6 million that were originated, renewed, or purchased within the assessment area were evaluated.

For home mortgage loans under the Lending Test, the universe of home mortgage loans originated or purchased were used to evaluate the Assessment Area Concentration. For the Geographic Distribution and Borrower Profile criteria, examiners evaluated all home mortgage loans reported on the bank’s 2016, 2017, and 2018 HMDA Loan Application Registers.

Examiners did not identify any trends between 2016 and 2018 that materially affect conclusions. Therefore, this evaluation presents information for 2017, the most recent year for which aggregate data is available.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is a better indicator of the number of businesses and individuals served.

For the Community Development Test, bank management provided examiners with data pertaining to community development loans, qualified investments, and community development services since the prior CRA Evaluation. Two similarly-situated intermediate small banks are referenced for performance context within the Community Development Test discussion.

## **DESCRIPTION OF INSTITUTION**

### **Background**

Lake Elmo Bank is owned by Lake Elmo Bancshares, Inc., a one-bank holding company, located in Lake Elmo, Minnesota. Lake Elmo Bank received a “Satisfactory” rating at its previous FDIC Performance Evaluation, dated July 18, 2016, based on Interagency Intermediate Small Institution Examination Procedures.

### **Operations**

Lake Elmo Bank operates three full-service offices in Minnesota with its main office located in Lake Elmo and branches located in Woodbury and Stillwater. All offices are located in Washington County in eastern Minnesota. The bank did not open or close any branches, and has not been involved in any mergers or acquisitions since the previous evaluation. There are bank- owned and operated automated teller machines (ATMs) located at each of the bank’s offices.

Loan product offerings include commercial, home mortgage, and consumer loans. The bank offers loans guaranteed by the U.S. Small Business Administration. These programs are designed to assist small businesses that may not qualify for loans through conventional financing methods. Lake Elmo Bank continues to originate mortgage loans that are sold through secondary-market relationships. Since the previous evaluation, the bank originated 81 secondary-market loans totaling approximately \$16.3 million.

The bank provides a variety of deposit account services including checking, savings, money market, certificates of deposit, and health savings accounts. Lake Elmo Bank offers electronic banking services such as internet and telephone banking; mobile banking, including mobile deposit and mobile payments; bill pay; and electronic statements.

### **Ability and Capacity**

Assets totaled approximately \$368 million as of December 31, 2018, representing an 11.0 percent increase since the prior evaluation. Deposits totaled approximately \$328 million, demonstrating a 10.8 percent increase, and total loans were approximately \$253 million, representing a 28.2 percent increase during the same period.

An analysis of the loan portfolio revealed growth primarily in 1-4 family residential, commercial, and construction lending. However, there has been little change in the portfolio mix since the prior evaluation. The loan portfolio is illustrated in the following table.



<b>Loan Portfolio Distribution as of December 31, 2018</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	29,588	11.7
Secured by Farmland	1,454	0.6
Secured by 1-4 Family Residential Properties	113,411	44.8
Secured by Multifamily (5 or more) Residential	4,126	1.6
Secured by Nonfarm Nonresidential Properties	74,094	29.3
<b>Total Real Estate Loans</b>	<b>222,673</b>	<b>88.0</b>
Commercial and Industrial Loans	17,684	7.0
Agricultural Loans	3	<0.1
Consumer Loans	11,009	4.4
Other Loans	1,570	0.6
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>252,939</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect Lake Elmo Bank's ability to meet assessment area credit needs.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Lake Elmo Bank has designated one assessment area comprised of 38 census tracts in Washington County. Washington County is 1 of the 14 counties that make up the Minneapolis-St. Paul Metropolitan Statistical Area. Lake Elmo Bank's main office in Lake Elmo is located in an upper-income census tract. The Stillwater and Oakdale branches are located in middle-income census tracts. There has been no changes to the assessment area since the previous evaluation. The following sections discuss demographic and economic information for the assessment area.

### **Economic and Demographic Data**

According to 2015 ACS data, the assessment area contains 3 moderate-income, 16 middle-income, 17 upper-income census tracts, and 2 census tracts that have not been assigned an income classification. The assessment area does not contain any low-income census tracts. There have been slight changes in census tract designations since the prior CRA Evaluation, which was based on 2010 U.S. Census data. Specifically, according to 2010 U.S. Census data there was 1 moderate-income, 16 middle-income, and 19 upper-income census tracts. There were 2 census tracts without an income designation. The following table provides select demographic characteristics for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	38	0.0	7.9	42.1	44.7	5.3
Population by Geography	179,029	0.0	7.0	41.9	50.0	1.0
Housing Units by Geography	69,675	0.0	8.0	44.8	47.2	0.0
Owner-Occupied Units by Geography	53,423	0.0	5.9	43.0	51.1	0.0
Occupied Rental Units by Geography	13,474	0.0	16.7	49.7	33.6	0.0
Vacant Units by Geography	2,778	0.0	5.0	54.7	40.2	0.0
Businesses by Geography	12,747	0.0	5.3	43.9	50.8	0.1
Farms by Geography	450	0.0	3.1	41.8	55.1	0.0
Family Distribution by Income Level	48,161	14.1	14.9	20.9	50.2	0.0
Household Distribution by Income Level	66,897	16.4	13.5	17.5	52.7	0.0
Median Family Income Minneapolis-St. Paul-Bloomington MSA		\$85,636	Median Housing Value			\$271,021
			Median Gross Rent			\$1,202
			Families Below Poverty Level			3.8%
<i>Source: 2015 ACS Census and 2018 D&amp;B Data.            (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0</i>						

Service industries represent the largest portion of businesses at 44.8 percent; followed by retail trade (11.2 percent); finance, insurance and real estate (10.1 percent); and construction (8.3 percent). In addition, 70.1 percent of area businesses have 4 or fewer employees, and 92.1 percent operate from a single location. Large employers in Washington County include Andersen Corporation, several school districts, and Woodwinds Health Campus.

The Federal Financial Institutions Examination Council updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion and to analyze activities under the Community Development Test. The low-, moderate-, middle-, and upper-income categories are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2016 (\$85,200)	<\$42,600	\$42,600 to <\$68,160	\$68,160 to <\$102,240	≥\$102,240
2017 (\$89,800)	<\$44,900	\$44,900 to <\$71,840	\$71,840 to <\$107,760	≥\$107,760
2018 (\$93,600)	<\$46,800	\$46,800 to <\$74,880	\$74,880 to <\$112,320	≥\$112,320
<i>Source: Federal Financial Institutions Examinations Council</i>				

Based upon 2015 ACS data, there are 69,675 housing units in the assessment area. Of these, 76.7 percent are owner-occupied, 19.3 percent are occupied rental units, and 4.0 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

The following table shows that unemployment rates have declined from 2016 to 2018, both locally and nationwide, which indicates economic improvement. The average unemployment rates for Washington County are lower than both the statewide and national rate.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Washington County	3.3	3.0	2.5
State of Minnesota	3.9	3.4	2.9
National Average	4.9	4.4	3.9

*Source: U.S. Bureau of Labor Statistics*

### **Competition**

The assessment area is competitive for credit products and financial services. According to the FDIC Deposit Market Share data as of June 30, 2018, there were 25 financial institutions operating 62 locations in Washington County. These institutions range from small community banks to larger national financial institutions. Of these institutions, Lake Elmo Bank ranked 3<sup>rd</sup> with a 7.9 percent market share. However, the top 2 institutions combined held 45.9 percent of the total deposits.

Lake Elmo Bank faces significant competition for home mortgage loans from financial institutions and mortgage companies originating or purchasing loans within the assessment area. In 2017, 328 HMDA-reporting institutions originated or purchased 8,605 home mortgage loans in the assessment area. Lake Elmo Bank ranked 17<sup>th</sup> with a 1.1 percent market share, by number. The top five lenders collectively accounted for 35.4 percent of total market share, by number.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. These individuals are knowledgeable of the area's current economic conditions, community credit needs, and potential opportunities for local bank involvement. This information helps determine whether financial institutions are responsive to these needs.

Examiners reviewed information obtained from a previous interview with a representative of a community development agency. The contact stated the economy is on an upward trend for most industries. However, the contact added that the retail industry is not doing as well, causing high vacancy rates in retail centers. The contact stated that the area is experiencing an

affordable housing crisis. Land prices are expensive and nearly all affordable houses are being purchased, rehabbed, and sold for much more, resulting in even less affordable housing. The contact stated there is significant competition among local financial institutions, and that institutions are meeting the credit needs within the community. The contact stated that community needs include small business start-up financing and expansion loans for smaller businesses. Lastly, the contact added that there is a need for funding of development costs to build affordable housing.

**Credit and Community Development Needs and Opportunities**

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that small business and home mortgage lending represent the primary credit needs of the assessment area. Both small business and home mortgage lending opportunities exist throughout the assessment area. Community development needs include the development of affordable housing.

**CONCLUSIONS ON PERFORMANCE CRITERIA**

**LENDING TEST**

Lake Elmo Bank demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

**Loan-to-Deposit Ratio**

The average net loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s net loan-to-deposit ratio, calculated from Reports of Condition data, averaged 65.1 percent over the past 10 calendar quarters. The ratio fluctuated during the evaluation period and ranged from a low of 58.2 percent as of September 30, 2017, to a high of 76.0 percent as of December 31, 2018. Examiners evaluated the reasonableness of the net loan-to-deposit ratio by comparing it to those of similarly- situated institutions. Similarly-situated institutions are those that serve some portion of the assessment area and have comparable asset sizes and loan portfolio compositions. Lake Elmo Bank’s average net loan-to-deposit ratio is reasonable in relation to the ratios of the similarly situated institutions, as shown in the following table.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 12/31/2018 (\$000s)</b>	<b>Average Net LTD Ratio (%)</b>
Bank Cherokee, Saint Paul, Minnesota	266,964	64.4
Community Resource Bank, Northfield, Minnesota	314,434	94.0
First State Bank and Trust, Bayport, Minnesota	256,017	80.4
Lake Area Bank, Lindstrom, Minnesota	334,839	83.6
<b>Lake Elmo Bank, Lake Elmo, Minnesota</b>	<b>368,097</b>	<b>65.1</b>
<i>Source: Reports of Condition and Income 9/30/2016 through 12/31/2018</i>		

**Assessment Area Concentration**

Lake Elmo Bank originated a majority of its small business and home mortgage loans, by number and dollar volume, within its assessment area. See the following table.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Small Business*	148	72.2	57	27.8	205	25,871	73.2	9,470	26.8	35,341
Home Mortgage										
2016	46	50.0	46	50.0	92	5,776	43.8	7,426	56.2	13,202
2017	93	55.0	76	45.0	169	20,308	59.7	13,684	40.3	33,992
2018	123	58.6	87	41.4	210	20,275	51.5	19,060	48.5	39,335
<b>Total Home Mortgage</b>	<b>262</b>	<b>55.6</b>	<b>209</b>	<b>44.4</b>	<b>471</b>	<b>46,359</b>	<b>53.6</b>	<b>40,170</b>	<b>46.4</b>	<b>86,529</b>

*Source: 2016, 2017, and 2018 HMDA Reported Data, (\*)2018 Bank Records*

**Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. This conclusion is based on the bank’s reasonable small business and home mortgage lending performance in the moderate-income census tracts.

**Small Business Loans**

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table shows that the bank’s lending performance in moderate- income census tracts compares reasonably to demographic data.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	5.3	7	4.7	1,301	5.0
Middle	43.9	90	60.8	17,022	65.8
Upper	50.7	51	34.5	7,548	29.2
N/A	0.1	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>148</b>	<b>100.0</b>	<b>25,871</b>	<b>100.0</b>

*Source: 2018 D&B Data, Bank Records.*

### **Home Mortgage Loans**

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. The bank's performance, at 3.2 percent, compares reasonably to aggregate lending. See the following table.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	5.9	5.6	3	3.2	258	1.3
Middle	43.0	44.4	55	59.1	11,645	57.3
Upper	51.1	50.0	35	37.6	8,405	41.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>93</b>	<b>100.0</b>	<b>20,308</b>	<b>100.0</b>

*Source: 2015 ACS Census, 2017 HMDA Reported Data, 2017 HMDA Aggregate Data..*

### **Borrower Profile**

The distribution of borrowers reflects reasonable lending penetration among businesses of different revenue sizes and individuals of different income levels in the assessment area. Examiners focused on the percentage by number of small business loans to businesses with gross annual revenues of \$1 million or less and the percentage by number of home mortgage loans to low- and moderate-income borrowers.

### **Small Business Loans**

The distribution of small business loans reflects more than reasonable penetration of loans to businesses with gross annual revenues of \$1 million or less. The following table shows that all of the sampled loans were originated to businesses with gross annual revenues of \$1 million or less, which significantly exceeds the percentage of businesses in this revenue category. This level of lending reflects excellent performance.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	87.7	47	100.0	9,577	100.0
>1,000,000	4.4	0	0.0	0	0.0
Revenue Not Available	7.9	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>9,577</b>	<b>100.0</b>

*Source: 2018 D&B Data, Bank Data.*

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on comparison to aggregate data.

Lending to low-income borrowers exceeded aggregate performance, while lending to moderate-income borrowers lagged aggregate performance. Overall, the bank's performance is considered reasonable. See the following table.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	14.1	6.4	10	10.8	699	3.4
Moderate	14.9	17.9	11	11.8	978	4.8
Middle	20.9	22.0	20	21.5	3,154	15.5
Upper	50.2	40.0	44	47.3	12,433	61.2
Not Available	0.0	13.6	8	8.6	3,044	15.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>93</b>	<b>100.0</b>	<b>20,308</b>	<b>100.0</b>

*Source: 2015 ACS Census, 2017 HMDA Data, 2017 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0*

### **Response to Complaints**

Lake Elmo Bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

### **COMMUNITY DEVELOPMENT TEST**

The bank demonstrated adequate responsiveness to the community development needs of its assessment area, through community development lending, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities in the assessment area. Examiners also compared the community development performance against two similar banks, which were chosen based on market served, asset size, and the fact that these banks were evaluated using Interagency Intermediate Small Institution Examination Procedures. Both banks received "Satisfactory" ratings at their most recent evaluations.

### **Community Development Loans**

Lake Elmo Bank originated 27 community development loans totaling approximately \$19.0 million during the evaluation period. This level of lending represents 5.2 percent of total assets. For comparison, the two similar banks had ratios of 3.1 percent and 6.4 percent. Lake Elmo Bank's community development loans as a percentage of net loans was 7.6 percent, which is



comparable to the two similar banks, whose ratios ranged were 8.4 percent and 7.8 percent.

Lake Elmo Bank extended community development loans to provide affordable housing to low- and moderate-income individuals and to promote economic development by supporting permanent job creation, retention, or improvement. Additionally, Lake Elmo Bank originated loans to help revitalize low- and moderate-income census tracts. These loans demonstrate Lake Elmo Bank's responsiveness to community development needs as identified through community contacts and demographic and economic data. Of the 27 qualifying loans, 8 loans totaling \$6.5 million were to entities that serve a broader statewide or regional area that includes the assessment area.

However, these loans will not directly benefit the assessment area. As the bank has been responsive to the community development needs of its assessment area, examiners considered these eight loans under the Community Development Test. The following table illustrates the community development lending by year and purpose.

<b>Community Development Lending</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2016	1	356	0	0	5	5,914	0	0	6	6,270
2017	1	200	0	0	6	671	1	303	8	1,174
2018	4	3,286	0	0	7	3,804	1	3,179	12	10,269
YTD 2019	0	0	0	0	1	1,250	0	0	1	1,250
<b>Total</b>	<b>6</b>	<b>3,842</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>11,639</b>	<b>2</b>	<b>3,482</b>	<b>27</b>	<b>18,963</b>

*Source: Bank Records*

The following are examples of notable community development loans that were particularly responsive to community development needs.

- A loan totaling \$302,500 to construct multi-family housing in an area targeted for redevelopment. Tax-increment financing required the developer to set aside a percentage of the units as affordable housing.
- Loans totaling \$2.3 million to purchase and renovate a building. Creation of new non-profit organization will create seven full-time jobs.
- A loan totaling \$3.2 million to an investment group to refinance a multi-tenant commercial property in a low-income census tract, allowing for the retention of jobs.

### **Qualified Investments**

Lake Elmo Bank held 9 equity investments totaling \$3.7 million that received consideration during this evaluation. In addition, the bank made 38 qualified donations totaling \$49,000. Of the 9 investments, 5 investments totaling \$1.6 million were made outside of the assessment area in a broader area that includes the assessment area. Of the 38 qualified donations, 5

donations totaling \$1,650 were to entities outside of the assessment area in a broader area that includes the assessment area. Lake Elmo Bank’s qualified investment and donation activity represents 1.0 percent of total assets and 4.8 percent of total securities as of December 31, 2018, which exceeds the performance of both similar banks. The two similar banks’ ratios of qualified investments to total assets were 0.48 percent and 0.97 percent. As a percentage of total securities, the similar banks’ ratios were 3.5 percent and 1.8 percent.

Lake Elmo Bank made qualified investments and gave donations that supported the local economy through assisting organizations in providing affordable housing and community services to low-and moderate-income individuals, and revitalizing or stabilizing low-and moderate geographies. The following table illustrates Lake Elmo Bank’s qualified investments by year and purpose.

<b>Qualified Investments</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	1	411	0	0	2	482	3	893
2016	1	1,382	0	0	0	0	4	1,188	5	2,570
2017	0	0	1	230	0	0	0	0	1	230
2018	0	0	0	0	0	0	0	0	0	0
YTD 2019	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>1</b>	<b>1,382</b>	<b>2</b>	<b>641</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>1,670</b>	<b>9</b>	<b>3,693</b>
Qualified Grants & Donations	7	4	31	45	0	0	0	0	38	49
<b>Total</b>	<b>8</b>	<b>1,386</b>	<b>33</b>	<b>686</b>	<b>0</b>	<b>0</b>	<b>6</b>	<b>1,670</b>	<b>47</b>	<b>3,742</b>

*Source: Bank Records*

The following are examples of notable qualified investments that were particularly responsive to community development needs.

- A \$1.4 million investment in a mortgage-backed security pool offered through Fannie Mae. The pool is comprised of loans to low-and moderate-income borrowers with all but one loan originated within the assessment area.
- Donations totaling \$18,000 to an organization that provides behavioral health services. A majority of clients receive Medicare assistance.
- Donation totaling \$5,300 to an organization that serves households with income at or below 200 percent of the poverty guidelines.

**Community Development Services**

During the evaluation period, bank officers provided 88 instances of financial expertise or

technical assistance to 6 different community service organizations, which included 997 hours of employee time.

Lake Elmo Bank officers assisted organizations in providing community services to low- and moderate-income individuals throughout the assessment area. These services demonstrate the bank’s responsiveness to the community development needs identified through community contacts and supported by demographic and economic data. The following table illustrates the community development services by year and purpose.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2016	0	13	2	0	<b>15</b>
2017	0	27	3	0	<b>30</b>
2018	0	27	4	0	<b>31</b>
YTD 2019	0	9	3	0	<b>12</b>
<b>Total</b>	<b>0</b>	<b>76</b>	<b>12</b>	<b>0</b>	<b>88</b>
<i>Source: Bank Records</i>					

The following are examples of notable community development services that were particularly responsive to community development needs.

- A bank officer serves with an organization that provides vehicle loans to low- and moderate-income individuals, which provides needed transportation for work.
- A bank officer serves on the Board, the Governance Committee, and the Finance Committee for an organization that provides food, clothing, emergency financial assistance, and other support for individuals and families in need.

In addition to devoting hours to community organizations, Lake Elmo Bank also provides other banking services to its community. For example, customers can bank online by using a computer or mobile phone, permitting them to check account balances, transfer funds between accounts, pay bills, and much more, free of charge. Lake Elmo Bank also offers free checking and savings accounts and waives some surcharges and bank fees at ATMs. Furthermore, the bank provides access to Small Business Administration guaranteed loan programs and long-term home mortgage financing through the secondary market.

#### **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect Lake Elmo Bank’s overall CRA rating.

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.



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**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community Development Loan:** A loan that

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community Development Service:** A service that

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties



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associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).



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**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting



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lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area:** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.





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**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures.

These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved Middle-Income Nonmetropolitan Geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.