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Comptroller of the Currency  
Administrator of National Banks

**LARGE BANK**

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**PUBLIC DISCLOSURE**

**September 21, 1998**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Bremer Bank, National Association  
Charter Number 23295  
2714 32nd Avenue South  
Grand Forks, North Dakota 58201**

**Supervisory Agency: Office of the Comptroller of the Currency  
Minneapolis North Field Office  
920 Second Avenue South, Suite 800  
Minneapolis, Minnesota 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.**

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## **GLOSSARY OF TERMS AND COMMON ABBREVIATIONS**

*The following terms and abbreviations are used throughout this Performance Evaluation.*

**Assessment Area (AA)** - *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.*

**Census Tract (CT)** - *A small, locally defined statistical area within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A census tract has defined boundaries per ten year census and an average population of 4,000.*

**Block Numbering Area (BNA)** - *Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.*

**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 Disclosure Statements (small loans to businesses and farms). Multi-family rental housing loans can be reported under HMDA and count as a community development loan.*

**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.*

**Community Development Service** - *A service, related to the provision of financial services, with a primary purpose of community development.*

**Income Levels** - *The regulation prescribes various income levels, relating to individuals, families and geographies: poverty level = less than 30% of the median; low income = less than 50% of the median; 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.*

**Large Bank** - *A financial institution with total assets of \$250 million or more, or an institution of any size that is an affiliate of a bank holding company with banking and thrift assets of \$1 billion or more.*

**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.*

**Qualified Investment** - *A lawful investment with a primary purpose of community development.*

**Small Business** - *A business with gross annual revenues of \$1 million or less.*

**Small Farm** - *A farm with gross annual revenues of \$1 million or less.*

**Small Loan to a Business or Farm** - *A loan of \$1 million or less to any business and a loan of \$500,000 or less to any farm.*

## 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 CRA performance of **Bremer Bank, National Association, Grand Forks, North Dakota (BBNA)** prepared by the **Office of the Comptroller of the Currency (OCC)** as of **September 21, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

**Institution's CRA Rating:** This institution is rated **"Satisfactory."** Major factors contributing to this rating include:

- o an excellent volume of qualifying investments in the assessment area by BBNA and its affiliate, the Otto Bremer Foundation;
- o good responsiveness to the credit needs of the assessment area, particularly farm credit needs; and,
- o retail delivery systems that are reasonably accessible to all portions of the assessment area.

The following table indicates bank performance with respect to the lending, investment and service tests. Bank performance is consistent in both the Metropolitan Statistical Area (MSA) and non-MSA segments of the assessment area.

Bremer Bank, National Association CRA Performance Tests*			
Performance Levels	Lending Test	Investment Test	Service Test
Outstanding		X	
High Satisfactory	X		
Low Satisfactory			X
Needs To Improve			
Substantial Noncompliance			

\*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

## DESCRIPTION OF THE INSTITUTION

Bremer Bank, National Association (BBNA) is a \$360 million intrastate institution located in northeast North Dakota on the Minnesota border. There is a main office and three branches in Grand Forks, North Dakota. There are also branches in Fordville, Forest River, Gilby, Grafton, Hillsboro, Hoople, Larimore and St. Thomas, North Dakota. Automated teller machines (ATMs) are operated at the main office, Grand Forks North, Grafton and Larimore branches. There are nine other ATMs located throughout Grand Forks, one in Emerado and one in Hillsboro, North Dakota.

BBNA is a full-service bank offering a variety of loan and deposit products. Its lending focus is commercial and agricultural loans. This is reflected by the distribution of its outstanding loans, as well as the distribution of its originations considered in this review. As of August 31, 1998, BBNA's \$207 million loan portfolio consisted of agricultural (40%), commercial (37%), residential (11%), consumer (11%) and other (1%) loans. There are no financial, legal or other factors which impede the bank's ability to meet its CRA obligations.

BBNA is owned by the Bremer Financial Corporation (BFC), a \$3 billion holding company headquartered in St. Paul, Minnesota. BFC has 14 national bank subsidiaries (with more than 85 banking locations) throughout Minnesota, North Dakota and Wisconsin. Non-bank affiliates include trust, insurance, management and operations service companies. BFC is owned by the Otto Bremer Foundation, a charitable trust. As a charitable trust, the Foundation must disperse at least 5% of its assets for charitable causes annually.

## DESCRIPTION OF THE ASSESSMENT AREAS (AA)

BBNA has three, contiguous assessment areas. One assessment area includes a portion of the Grand Forks Metropolitan Statistical Area (MSA) - specifically Grand Forks County, North Dakota and a portion of Polk County, Minnesota. The other assessment areas are rural (i.e., non-MSA) areas located north and south of the Grand Forks MSA. To the south, the non-MSA segment consists of Traill County, North Dakota. To the north, the non-MSA segment consists of Walsh County, North Dakota, and a portion of Pembina County, North Dakota. The population of the combined AA is 106,236 and there are 26,729 families. Of these families, 16% are low-, 19% are moderate-, 25% are middle-, and 40% are upper-income. The combined AA is comprised of 34 geographies. Four geographies (or 12%) are moderate-, 25 (or 74%) are middle-, and 5 (or 15%) are upper-income.

Deposit information obtained from the Federal Deposit Insurance Corporation as of June 30, 1998 indicates that BBNA has the largest share of deposits in the combined AA (22%). BBNA also has the largest share of deposits in the Grand Forks MSA (24%) and Walsh County (29%). BBNA has the seventh largest share of deposits in both Traill (6%) and Pembina County (3%). Competition includes two regional banking companies headquartered in Minneapolis, Minnesota, a large community bank based in Fargo, North Dakota and numerous locally-owned banks.

***MSA Segment of the AA (Grand Forks, North Dakota/Minnesota MSA) -***

This segment of the AA includes the North Dakota portion of the MSA plus the city of East Grand Forks, Minnesota. North Dakota cities in the AA include Emerado, Gilby, Grand Forks, Manvel, Northwood, Larimore and Thompson. The population of this segment of the AA totals 79,655 and represents 75% of the total population served by the bank. The AA complies with regulatory requirements; it does not arbitrarily exclude any low- or moderate-income areas.

Grand Forks is a regional center of commerce for northeastern North Dakota, northwest Minnesota and southern Manitoba, Canada. Its primary economic base is the production, processing and trade of agricultural products. The city is also a center for retail trade, health care and services. The trade area population is 200,000. The University of North Dakota, a major employer, has a student population of 11,500. The Grand Forks Air Force Base, located 13 miles west of the city, has a military and civilian population of 12,000. Both the university and air force base significantly impact housing and community development needs. The closure and downsizing of the air force base is a community concern.

The Red River flood in 1997 was a catastrophic event that significantly impacted this area. The flood affected 75% of the homes in Grand Forks, 99% of the homes in East Grand Forks and 100% of the downtown businesses. In addition, 11 downtown buildings were destroyed by fire. Ninety percent of the population had to be evacuated for several weeks and, in some cases, months. Damage estimates to the area totaled \$2 billion. Monetary and volunteer labor relief assistance was provided locally, regionally and nationally. Some people have left the area due to economic hardships and lack of employment from destroyed businesses.

Community credit needs of this AA are unique. Local financial institutions, including BBNA, had buildings destroyed and special challenges to coordinate flood relief funding. Community contacts stated general banking and credit needs are largely tied to flood recovery. More specifically, credit needs include small business loans, entry level housing loans (less than \$150,000), additional mortgage financing options and bank-pooled funds for flood relief lending programs. One contact felt that the local banks' lending opportunities are nearly unlimited. We conducted one contact during this evaluation and reviewed three, recently completed contacts by other regulators.

The following table summarizes various demographic data for the MSA portion of the AA. It summarizes the distribution of geographies, families and households by income level. It also shows the distribution of businesses and farms in the AA.

<i>Assessment Area Profile - Grand Forks MSA</i>					
DEMOGRAPHIC CHARACTERISTICS	#	Income Level			
		Low % of #	Moderate % of #	Middle % of #	Upper % of #
Census Tracts (CTs)	22	n/a	18%	64%	18%
Population by CT Income Level	79,655	n/a	24%	60%	16%
Family By Income Level (9% below poverty)	19,579	17%	18%	26%	39%
Families By CT Income Level	19,579	n/a	18%	64%	18%
Households By Income Level (14% below poverty)	28,723	22%	16%	20%	42%
Households By CT Income Level	28,723	n/a	18%	66%	16%
Owner Occupied Housing By CT Income Level	14,529	n/a	3%	73%	24%
Farms By CT Income: Revenues <= \$1 million (82%)	62	n/a	5%	82%	13%
Revenues > \$1 million (9%)	7		0%	86%	14%
Unreported Revenues (8%)	6		0%	100%	0%
Businesses By CT Income: Revenues <= \$1 million (72%)	1,773	n/a	17%	68%	15%
Revenues > \$1 million (9%)	228		14%	72%	14%
Unreported Revenues: (19%)	477		16%	73%	11%
Median Housing Value = \$60,527					
Median Family Income - 1990 = \$31,192					
HUD Adjusted Median Family Income for 1998 = \$40,800					

Data Source: U. S. Bureau of the Census (1990); Dun and Bradstreet (1996)

***Non-MSA Segment of the AA***

This segment of the AA incorporates two contiguous counties to the north of the MSA and one contiguous county to the south of the MSA, all in North Dakota. It includes Walsh County, the southern half of Pembina County and Traill County. Cities encompassed by the AA include Adams, Buxton, Crystal, Drayton, Edinburg, Fordville, Galesburg, Grafton, Hatton, Hillsboro, Hoople, Lankin, Mayville, Minto, Park River, Portland and St. Thomas. The population of this segment of the AA is 26,581. It represents 25% of the total population served by the bank. The AA complies with regulatory requirements; it does not arbitrarily exclude any low- or moderate-income areas.

This segment of the AA is rural and largely influenced by agriculture. Small grains and row crops are the primary products. Area farms are decreasing in number as farmers retire but increasing in size with the efficiency of automation. Grafton, serves as the northern area's economic heart and has shifted from agriculture to a more commercial base in the last few years. The economy is expanding with manufacturing and retail businesses.

The housing profile is typical for a rural area. A majority of units (64%) are owner-occupied. Fourteen percent of the units are vacant housing and 9% are mobile homes. Housing costs are generally low. The median housing price is \$38,263. Very few housing units (6%) have owner costs exceeding 30% of income.

The following table summarizes demographic information for the non-MSA segment of the AA.

<b>Assessment Area Profile - Non-MSA</b>					
<b>DEMOGRAPHIC CHARACTERISTICS</b>	<b>#</b>	<b>Income Level</b>			
		<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>
Block Numbering Areas (BNAs)	12	n/a	n/a	92%	8%
Population by BNA Level	26,581	n/a	n/a	88%	12%
Family By Income Level (9% below poverty)	7,150	15%	19%	24%	42%
Families By BNA Income Level	7,150	n/a	n/a	89%	11%
Households By Income Level (13% below poverty)	10,126	21%	16%	20%	43%
Households By BNA Income Level	10,126	n/a	n/a	89%	11%
Owner Occupied Housing By BNA Income Level	7,499	n/a	n/a	90%	10%
Farms By BNA Income: Revenues <= \$1 million (88%)	76	n/a	n/a	91%	9%
Revenues > \$1 million (7%)	6			100%	0%
Unreported Revenues (5%)	4			100%	0%
Businesses By BNA Income: Revenues <= \$1 million (72%)	578	n/a	n/a	78%	22%
Revenues > \$1 million (9%)	69			94%	6%
Unreported Revenues (19%)	152			84%	16%
Median Housing Value = \$38,263					
Median Family Income - 1990 = \$27,913					
HUD Adjusted Median Family Income for 1998 = \$35,800					

Data Source: U. S. Bureau of the Census (1990); Dun and Bradstreet (1996)



## EXAMINATION SCOPE

We examined BBNA using the Lending, Investment and Service Tests for large banks pursuant to the revised CRA regulation. These tests were used to assess the bank's record of helping to meet community credit needs. We analyzed BBNA's small business, small farm, residential mortgage, and community development lending efforts; the number and types of qualified investments; branch distribution and accessibility; and retail and community development services to arrive at our assigned rating.

The current evaluation covers lending, investment and service activities since the previous CRA evaluation dated October 21, 1996 with the following exceptions/notations:

- o Our analysis of farm and business lending included all 1996 and 1997 reported originations. Data is reported and aggregated in whole years. At the time of the examination, 1998 information was not yet available for the bank or the market in aggregate.
- o We considered all 1996 loan originations because the reported data was not evaluated in the previous CRA examination.
- o After validating the accuracy of the bank's CRA Disclosure Statements, we used this information in our analysis of farm and business lending .
- o Our analysis of residential loans included 1996 and 1997 originations.
- o After validating the accuracy of the bank's HMDA Disclosure Statements, we used this information in our analysis of residential lending.
- o Our analysis of residential loans did not include home improvement loans. Bank systems do not separately code this product.
- o Bank performance was consistent in both the home purchase and refinance products. Because there were no material differences, the products are consolidated for presentation in the evaluation.
- o In the lending test, we gave the most weight to farm loans, followed by business loans and then residential loans. Over the evaluation period, the distribution of originations by number was: farm loans (56%); business loans (34%); and residential loans (10%). The distribution by dollar volume of loan originations was: farm loans (58%); business loans (32%); and residential loans (10%).
- o Bank performance was generally consistent between the MSA and non-MSA assessment areas. Where there were no material differences, the areas were consolidated for presentation in this evaluation.
- o At the bank's request, we considered qualified investments made by the affiliated Otto Bremer Foundation in addition to the bank's own qualified investments.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

BBNA's lending levels reflect good responsiveness to the credit needs of the community. In particular, we noted excellent responsiveness to small farm credit needs and adequate responsiveness to the area's small business and residential credit needs.

#### Small Farm Lending

BBNA's farm lending efforts demonstrate excellent responsiveness to small farm credit needs. The bank makes a substantial majority of its farm loans within the AA; the distribution of loans to small farms is excellent; and the geographic distribution of loans is reasonable.

BBNA originated a substantial majority of its farm loans inside its AA as demonstrated in the following table.

<i>Percentage of Farm Loans Made Inside the Assessment Area</i>								
Location	1996				1997			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Loans Inside AA	772	96%	50,771	96%	804	93%	59,349	93%
Loans Outside AA	34	4%	2,237	4%	57	7%	4,254	7%
Total	806	100%	53,008	100%	861	100%	63,603	100%

Data Source: Bank CRA Disclosure Statement

The geographic distribution of bank farm loans reflects adequate penetration throughout the AA. The bank's distribution is consistent with the distribution of farms in the AA, especially considering the very small number of farms located in moderate-income geographies (3 farms). This is illustrated by the following table.

<i>Geographic Distribution of Farm Loans Inside the Assessment Area</i>									
CT/BNA Income Designation	% of Farms	1996				1997			
		#	%	\$(000s)	%	#	%	\$(000s)	%
Moderate-Income	2%	1	<1%	25	<1%	1	<1%	25	<1%
Middle-Income	88%	702	91%	44,385	87%	705	88%	50,993	86%
Upper-Income	10%	69	9%	6,361	13%	98	12%	8,331	14%
Total	100%	772	100%	50,771	100%	804	100%	59,349	100%

Data Source: Bank CRA Disclosure Statement, US Bureau of the Census (1990)

BBNA's distribution of farm loans by revenue size was excellent. The bank's distribution significantly exceeds the percentage of farms in the AA that are designated as small. This is shown in the following table.

<i>Revenue Size Distribution of Farm Loans Inside the Assessment Area</i>									
Farm Revenue Size	% of Farms	1996				1997			
		#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	86%	752	97%	47,059	93%	771	96%	54,010	91%
Large Business	8%	20	3%	3,712	7%	33	4%	5,339	9%
Unknown Revenue Size	6%	0	n/a	0	n/a	0	n/a	0	n/a
<b>Total</b>	<b>100%</b>	<b>772</b>	<b>100%</b>	<b>50,771</b>	<b>100%</b>	<b>804</b>	<b>100%</b>	<b>59,349</b>	<b>100%</b>

Data Source: Bank CRA Disclosure Statement, US Bureau of the Census (1990)

Of all banks subject to CRA data reporting, BBNA originated the third largest share of small farm loans in its AA in 1996 and 1997. BBNA originated 11% of all reported small farm loans in 1996 and 12% in 1997. The market leader (with 33% in 1996 and 32% in 1997) is a much larger institution that serves a greater geographic area.

BBNA's willingness to originate small farm loans is further evidenced by an excellent loan size distribution. By number, 81% of bank's 1996 small farm loans were in amounts of \$100,000 or less. In 1997, this ratio was 79%. The following table further details small farm loan size distribution.

<i>Loan Size Distribution of Small Farm Loans in the Assessment Area</i>									
Loan Amount	1996				1997				
	#	%	\$(000s)	%	#	%	\$(000s)	%	
\$0 - 10,000	173	23%	939	2%	131	17%	818	1%	
\$10,001 - 25,000	156	21%	2,918	6%	169	22%	3,071	6%	
\$25,001 - 50,000	146	20%	5,778	12%	171	22%	6,713	12%	
\$50,001 - 100,000	130	17%	9,945	21%	141	18%	10,823	20%	
\$100,001 - 250,000	129	17%	21,029	45%	124	16%	20,347	38%	
\$250,001 - 500,000	18	2%	6,450	14%	35	5%	12,238	23%	
<b>Total</b>	<b>752</b>	<b>100%</b>	<b>47,059</b>	<b>100%</b>	<b>771</b>	<b>100%</b>	<b>54,010</b>	<b>100%</b>	

Data Source: Bank Records

**Small Business Lending**

BBNA's business lending efforts demonstrate adequate responsiveness to small business credit needs. The bank makes a high percentage of its business loans within the AA. The distribution of loans to small businesses is good, but the geographic distribution of these loans is poor.

BBNA originated a high percentage of loans within the AA as demonstrated in the following table.

<i>Percentage of Business Loans Made Inside the Assessment Area</i>								
Location	1996				1997			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Loans Inside AA	450	84%	20,758	83%	415	90%	34,919	89%
Loans Outside AA	87	16%	4,164	17%	48	10%	4,483	11%
<b>Total</b>	<b>537</b>	<b>100%</b>	<b>24,922</b>	<b>100%</b>	<b>463</b>	<b>100%</b>	<b>39,402</b>	<b>100%</b>

Data Source: Bank CRA Disclosure Statement

The geographic distribution of the bank's business loans reflects poor penetration to moderate-income areas of the AA. BBNA's percentage of loans made in moderate-income geographies is significantly lower than the percentage of businesses located in those areas. This is illustrated below.

<i>Geographic Distribution of Business Loans in the Assessment Area</i>									
CT/BNA Income Designation	% of Businesses	1996				1997			
		#	%	\$(000s)	%	#	%	\$(000s)	%
Moderate-Income	13%	41	9%	1,647	8%	27	7%	2,169	6%
Middle-Income	72%	312	69%	13,446	65%	356	86%	29,434	84%
Upper-Income	15%	97	22%	5,665	27%	32	7%	3,316	10%
<b>Total</b>	<b>100%</b>	<b>450</b>	<b>100%</b>	<b>20,758</b>	<b>100%</b>	<b>415</b>	<b>100%</b>	<b>34,919</b>	<b>100%</b>

Data Source: Bank CRA Disclosure Statement, US Bureau of the Census (1990)

BBNA's distribution of business loans by revenue size is good. Bank performance approximates demographic information. This is exemplified by the following table.

<i>Revenue Size Distribution of Business Loans Inside the Assessment Area</i>									
Business Revenue Size	% of Businesses	1996				1997			
		#	%	\$(000s)	%	#	%	\$(000s)	%
Small Business	72%	315	70%	11,139	54%	302	73%	20,023	57%
Large Business	9%	66	15%	9,152	44%	95	23%	14,767	42%
Unknown Revenue Size	19%	69	15%	467	2%	18	4%	129	1%
<b>Total</b>	<b>100%</b>	<b>450</b>	<b>100%</b>	<b>20,758</b>	<b>100%</b>	<b>415</b>	<b>100%</b>	<b>34,919</b>	<b>100%</b>

Data Source: Bank CRA Disclosure Statement, US Bureau of the Census (1990)

Of all banks subject to CRA data reporting, BBNA originated the fifth largest share of small business loans in its AA in 1996 and 1997. BBNA originated 9% of all reported small business loans in each year. The market leader (with 26% in 1996 and 24% in 1997) is a much larger institution that serves a greater geographic region.

BBNA's willingness to make small business loans is further evidenced by an excellent loan size distribution. By number, 94% of the bank's 1996 small business loans were in amounts of \$100,000 or less and 67% were in amounts of \$25,000 or less. In 1997, 85% of the bank's small business loans were in amounts of \$100,000 or less and 51% were in amounts of \$25,000 or less. The following table further details loan size distribution.

<i>Loan Size Distribution of Small Business Loans Inside the Assessment Area</i>									
Loan Amount	1996				1997				
	#	%	\$(000s)	%	#	%	\$(000s)	%	
\$0 - 10,000	127	40%	742	7%	77	26%	467	2%	
\$10,001 - 25,000	85	27%	1,469	13%	75	25%	1,343	7%	
\$25,001 - 50,000	50	16%	1,850	16%	59	19%	2,259	11%	
\$50,001 - 100,000	34	11%	2,664	24%	44	15%	3,346	17%	
\$100,001 - 250,000	13	4%	2,206	20%	34	11%	6,096	30%	
\$250,001 - 500,000	6	2%	2,208	20%	7	2%	2,335	12%	
\$500,001 - 1,000,000	0	0%	0	0%	6	2%	4,177	21%	
<b>Total</b>	<b>315</b>	<b>100%</b>	<b>11,139</b>	<b>100%</b>	<b>302</b>	<b>100%</b>	<b>20,023</b>	<b>100%</b>	

Data Source: Bank Records

**Real Estate Lending**

BBNA's real estate lending efforts demonstrate adequate responsiveness to residential credit needs. The bank makes a high percentage of its residential loans within the AA; the geographic distribution of these loans is reasonable; and the distribution by borrower income level is adequate.

BBNA originates a high percentage of its HMDA reportable loans inside the AA. This is demonstrated in the following table.

<b>Percentage of HMDA Loans Inside the Assessment Area</b>								
Location	1996				1997			
	#	%	\$	%	#	%	\$	%
Loans Inside AA	122	72%	8,985	76%	134	89%	7,505	89%
Loans Outside AA	48	28%	2,875	24%	16	11%	918	11%
<b>Total</b>	<b>170</b>	<b>100%</b>	<b>11,860</b>	<b>100%</b>	<b>150</b>	<b>100%</b>	<b>8,423</b>	<b>100%</b>

Data Source: Bank HMDA Disclosure Statement

A significant majority of the bank's HMDA originations are in the MSA portion of the assessment area which is consistent with market demographics. Consequently, the remainder of our residential loan analysis focuses on residential lending efforts within the MSA. The distribution of the bank's HMDA originations between the MSA and non-MSA portions of the AA is reflected below.

<b>Distribution of HMDA Loans Inside the Assessment Area</b>								
Location Within the Assessment Area	1996				1997			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Loans in the MSA	116	95%	8,841	98%	114	85%	6,648	89%
Loans outside the MSA	6	5%	144	2%	20	15%	857	11%
<b>Total</b>	<b>122</b>	<b>100%</b>	<b>8,985</b>	<b>100%</b>	<b>134</b>	<b>100%</b>	<b>7,505</b>	<b>100%</b>

Data Source: Bank HMDA Disclosure Statement

Of all banks subject to HMDA reporting, BBNA originated the fifth largest share of home purchase loans (with 8% of the market) in its AA in 1996 and 1997. The market leader (with 26% in 1996 and 22% in 1997) is a large, local community bank. For refinance loans, BBNA originated the sixth largest share in 1996 (with 5% of the market) and the fourth largest share in 1997 (with 9% of the market). The market leader (same bank as previously discussed) originated 24% in 1996 and 18% in 1997.

The geographic distribution of the bank's HMDA loans demonstrates adequate penetration into moderate-income tracts. The distributions are consistent with the percentage of owner-occupied housing units located in those areas. This is demonstrated in the following table.

<i>Geographic Distribution of HMDA Loans in the MSA Portion of the Assessment Area</i>									
Census Tract Income Designation	% Owner-Occupied Housing Units	1996				1997			
		#	%	\$	%	#	%	\$	%
Moderate-Income	3%	2	2%	144	2%	2	2%	57	1%
Middle-Income	73%	84	72%	5,769	65%	88	77%	5,052	76%
Upper-Income	24%	30	26%	2,928	33%	24	21%	1,539	23%
<b>Total</b>	<b>100%</b>	<b>116</b>	<b>100%</b>	<b>8,841</b>	<b>100%</b>	<b>114</b>	<b>100%</b>	<b>6,648</b>	<b>100%</b>

Data Source: Bank HMDA Disclosure Statement, US Bureau of the Census (1990)

The bank's distribution of HMDA loans by borrower income level is considered adequate. The percentage of loans to moderate-income borrowers is consistent with the percentage of moderate-income families in the assessment area. The percentage of loans to low-income borrowers is less than market demographics but is still reasonable given the percentage of families that have incomes below poverty level. Nine percent of families have income below the poverty level (\$12,240 per year). At this income level, it can be difficult to afford a home at the MSA's median value of \$60,527. The next table details borrower income distribution.

<i>Borrower Income Distribution of HMDA Loans Inside the MSA Portion of the Assessment Area</i>									
Borrower Income Level	% Families	1996				1997			
		#	%	\$	%	#	%	\$	%
Low-Income	16%	4	3%	134	1%	10	9%	406	6%
Moderate-Income	19%	18	16%	1,046	12%	26	23%	1,377	21%
Middle-Income	26%	32	28%	2,256	26%	27	23%	1,631	25%
Upper-Income	39%	56	48%	5,096	58%	48	42%	2,871	43%
N/A	0%	6	5%	309	3%	3	3%	363	5%
<b>Total</b>	<b>100%</b>	<b>116</b>	<b>100%</b>	<b>8,841</b>	<b>100%</b>	<b>114</b>	<b>100%</b>	<b>6,648</b>	<b>100%</b>

Data Source: Bank HMDA Disclosure Statement, US Bureau of the Census (1990)

### *Community Development Lending*

During the evaluation period, BBNA originated one qualifying loan totaling \$618,000. This line of credit supported two housing projects in moderate-income areas. The projects replaced 240 homes destroyed by the Red River flood. The line of credit supported other funding by Fannie Mae, Community Development Block Grant funds and the City of Grand Forks. The borrower is a non-profit, affordable housing corporation.

## INVESTMENT TEST

BBNA and its affiliate, the Otto Bremer Foundation (OBF), made an excellent level of qualified investments during the evaluation period. The number and amount of investments were particularly responsive in relation to community needs in the aftermath of the 1997 flood and in relation to the bank's size. The OBF made 125 qualifying grants and donations totaling \$3.3 million. The vast majority of these investments were to revitalize the AA following the flood. BBNA directly made six qualifying donations totaling \$2,250 to organizations that provide social services to LMI individuals and organizations that facilitate small business development. Total qualified investments of \$3.3 million exceeds 12% of the bank's Tier 1 capital as of June 30, 1998.

## SERVICE TEST

### *Retail Banking Services*

BBNA's banking facilities are reasonably accessible to geographies and individuals of different income levels in its AA. All branch offices are on the North Dakota side of the assessment area. The bank has a main office, 11 branches and 15 automated teller machines (ATMs). The main office (located in a moderate-income tract) and six branches are full service facilities, but two of these facilities (the main office and the Grand Forks South branch) are not currently open for business due to the 1997 flood. Three of the remaining four branches (Forest River, St. Thomas, Hoople) are primarily depository facilities, with loans by appointment. The remaining branch (Gilby) is a paying/receiving station. Only three of the bank's 15 ATMs are full service; the others are cash dispensing machines. During the evaluation period, BBNA did not open or close any branches.

The geographic distribution of branches and ATMs is reasonable given the rural characteristics of the AA. The following table details the distribution of bank facilities.

<i>Distribution of BBNA Branches and ATMs</i>					
Geography Income Level	Branches		ATMs		Percent of Population by Geography Income Level
	#	%	#	%	
Moderate-Income	1	8%	0	0%	18%
Middle-Income	10	84%	14	93%	67%
Upper-Income	1	8%	1	7%	15%
Total	12	100%	15	100%	100%

Source: Bank Records, U.S. Bureau of the Census (1990)



Banking hours are reasonable and tailored to community needs. Office hours do not vary in such a way that inconvenience portions of the AA, particularly low- or moderate-income geographies or individuals. One office has Saturday hours. Others have extended hours in the evening, at least one night a week, to accommodate customers unable to visit the bank during traditional business hours.

There are few differences in products and services between BBNA branches. Except for the aforementioned distinctions, branches offer the same loan and deposit products with no material differences in fees.

### ***Community Development Services***

BBNA provides an adequate level of community development services. Over the evaluation period, the bank provided qualifying services to 15 organizations. The majority of the community development services related to small business development and economic growth/recovery of the area.

### **Fair Lending Review**

Examiners did not identify any instances of illegal discrimination or discouragement during the concurrent fair lending review. The review compared loan terms and conditions, using gender as the prohibited basis, on conventional home purchase loans between January 1, 1997 and August 31, 1998.