

## **PUBLIC DISCLOSURE**

June 28, 1999

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

**The Ramsey National Bank & Trust Company of Devils Lake  
Charter Number: 5886**

**300 Fourth Street  
Devils Lake, North Dakota 58301**

**Office of the Comptroller of the Currency  
Fargo Field Office  
3211 Fiechtner Drive  
Fargo, North Dakota 58103-2358**

**NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Ramsey National Bank & Trust Company of Devils Lake, Devils Lake, North Dakota** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 28, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated **Satisfactory**. The following factors highlight The Ramsey National Bank & Trust Company's performance:

- C The loan-to-deposit ratio is reasonable and is comparable to other banks of similar size situated in its assessment areas.
- C The bank originates a majority of its loans within its assessment areas.
- C The bank has good loan penetration among businesses, farms, and consumers of different revenue sizes and incomes.

## DESCRIPTION OF INSTITUTION

The Ramsey National Bank & Trust Company of Devils Lake (RNB) is a \$116 million institution located in north central North Dakota. RNB has two assessment areas (AA). One AA contains the bank's main office in Devils Lake, two additional branches in Devils Lake and branches in the nearby communities of Esmond, Sheyenne, and Maddock, all of which are in North Dakota. The other AA contains a portion of the Fargo-Moorhead Metropolitan Statistical Area (MSA) with a branch located in Fargo, North Dakota. The bank has four ATMs, three in Devils Lake and one in Fargo.

The bank is wholly owned by Ramsey Financial Corporation, Devils Lake, North Dakota, with total assets of \$169 million as of December 31, 1998. Ramsey Bank, a savings and loan, is also wholly owned by the holding company and an affiliate of RNB.

RNB is a full service bank offering traditional loan and deposit products and services. Net loans represent 71% of total assets. The following table illustrates RNB's loan mix:

<b>Loan Type</b>	<b>Dollar Volume (000's)</b>	<b>% of Total</b>
<b>Agriculture</b>	\$31,271	37%
<b>Small Business</b>	\$29,832	36%
<b>Residential Real Estate</b>	\$17,231	21%
<b>Consumer Instalment and Other Loans</b>	\$4,885	6%
<b>Total Portfolio Volume</b>	\$83,219	100%

\* Source: Bank balance sheet as of March 31, 1999

Net loans originated by the Devils Lake AA total \$62,583M and represent 76% of the bank's net loans. The Devils Lake AA's lending focus includes agricultural loans, small business loans, residential real estate loans, and consumer loans. Net loans originated by the Fargo AA total \$19,558M and represent 24% of the bank's net loans. The Fargo AA's lending focus includes small business loans, residential real estate loans, and consumer loans.

There are no legal or financial factors impeding the bank's ability to help meet the credit needs within its assessment area. RNB was rated "Satisfactory" in the last Community Reinvestment Act Performance Evaluation dated June 19, 1997. The bank has not opened or closed any offices since the last examination.

## **DESCRIPTION OF RNB'S ASSESSMENT AREA:**

### *Devils Lake Assessment Area*

The AA consists of eleven contiguous block numbering areas in north central North Dakota. The AA covers all of Ramsey, Benson, and Eddy Counties. The AA includes 3 moderate-income (27%), 6 middle-income (55%), and 2 upper-income (18%) areas. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The population of the assessment area is 22,830. The unemployment rate is 2.8% with 18% of the total population living below the poverty level. The area is predominantly dependent on agriculture with some small industry and tourism due to the area's abundant wildlife. The largest city in the AA is Devils Lake which serves as a retail hub for much of north central North Dakota. Major non-farm employers include the school districts, local hospital and clinic, Leonardo's Pasta Plant, North Dakota Telephone, Spirit Lake Indian Casino, Dakota Tribal Industries, and Sioux Manufacturing Corporation.

Recent economic conditions have not been good. Poor commodity prices have contributed to a weak local agricultural economy. Local businesses have felt the pressure of the weak agricultural economy and have seen declining sales. The rising water level of Devils Lake has also impacted the local economy. The size of the lake has tripled over the past 8 years and several homes and farms have been lost due to the rising water levels. The high water levels have covered many local roads resulting in a loss of access to and from neighboring communities.

The 1998 updated median family income for the AA is \$35,800. The profile of family income levels within the block numbering areas is: low-income 21.95%, moderate-income 20.33%, middle-income 22.99%, and upper-income 34.73%. Owner-occupied units account for 56% of total housing units with a median housing value of \$31,674.

RNB's competition includes seven local financial institutions in Devils Lake, including affiliates of two large banking groups, smaller financial institutions in neighboring communities, and Farm Credit Services.

Credit needs of the AA are varied. They include all types of loans for small businesses, agriculture, and housing. The primary detriment to receiving credit is the lack of decent paying jobs within the community. This is supported by the level of individuals (18%) living beneath the poverty level. We determined these needs by contacting a local community action group and by reviewing prior community contacts made within the AA.

## *Fargo Assessment Area*

The AA consists of 28 contiguous census tracts, located in Cass County of North Dakota and Clay County of Minnesota. The AA is part of the Fargo-Moorhead MSA.

The AA includes 6 moderate-income (22%), 18 middle-income (64%), and 4 upper-income (14%) areas. The AA meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The population of the assessment area is 119,844. The unemployment rate is 2.5% with 14% of the total population living below the poverty level. The area is a retail shopping and industrial hub for both eastern North Dakota and western Minnesota. The Fargo-Moorhead economy has been strong the last few years and the area has seen considerable growth in both small businesses and residential real estate. Major employers include several local school districts, hospitals, numerous small businesses, and financial service companies.

The 1998 updated median family income for the AA is \$46,400. The profile of family income levels within the block numbering areas is: low-income 16.4%, moderate-income 17.68%, middle-income 26.21%, and upper-income 39.74%. Owner-occupied units account for 56% of total housing units with a median housing value of \$64,018.

Banking competition within the AA is strong. Seven large financial institutions and numerous smaller institutions aggressively compete for both loan and deposit customers.

The high level of bank competition in the AA serves the consumer well and credit needs within the AA are limited. Qualified applicants have no trouble finding credit although down payment assistance is needed by many low- and moderate-income individuals seeking residential real estate loans. Both the cities of Fargo and Moorhead have down payment assistance programs available. We determined these needs by reviewing prior community contacts made within the AA.

## **DESCRIPTION OF SAMPLES:**

Our review of RNB's lending activities was conducted by reviewing bank produced reports and sampling various bank loan products. We reviewed several loan products including commercial, agricultural, residential real estate, and consumer loans to identify each AA's primary product lines. In the Devils Lake AA, we determined the primary product lines to be agriculture, commercial and consumer products. The

following table illustrates our sample sizes in relation to the total population of the various loan product categories for the Devils Lake AA.

	<b>Commercial</b>	<b>Farm</b>	<b>Residential</b>	<b>Consumer</b>
<b>Number of Total Originations</b>	544	605	161	603
<b>Sample Size</b>	20	20	NA	20
<b>% of Total Number Sampled</b>	3.7%	3.3%	NA	3.3%
<b>Dollar Amount of Total Originations (000s)</b>	\$26,805	\$50,073	\$8,559	\$3,548
<b>Dollar Amount of Sample (000s)</b>	\$3,647	\$2,406	NA	\$116
<b>% of Dollar Amount Sampled</b>	13.6%	4.8%	NA	3.3%

Source: Loan originations from January 1, 1997 through March 31, 1999.

In the Fargo AA we determined the primary product lines to be commercial, residential real estate (HMDA reportable loans), and consumer products. The following table illustrates our sample sizes in relation to the total population of the various loan product categories.

	<b>Commercial</b>	<b>Farm</b>	<b>HMDA</b>	<b>Consumer</b>
<b>Number of Total Originations</b>	110	2	55	295
<b>Sample Size</b>	20	NA	55	20
<b>% of Total Number Sampled</b>	18.2%	NA	100%	6.8%
<b>Dollar Amount of Total Originations (000s)</b>	\$15,872	\$35	\$2,179	\$3,630
<b>Dollar amount of Sample (000s)</b>	\$5,699	NA	\$2,179	\$188
<b>% of Dollar Amount Sampled</b>	35.9%	NA	100%	5.2%

Source: Loan originations from January 1, 1997 through March 31, 1999.

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

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

The bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and lending opportunities within its AAs. The quarterly LTD ratio has averaged 81.53% since the last CRA examination. RNB's ratio is comparable to other similarly sized banks within its AAs. RNB's LTD ratio ranks second out of seven comparable institutions in the Devils Lake AA, with the competing banks' ratios ranging from 38% to 94%. RNB's LTD ratio ranks second out of five comparable institutions in the Fargo AA with the competing banks' ratios ranging from 69% to 85%.

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

RNB originates a majority of its loans inside its AA. The bank analyzes the number and dollar amount of loans made in and outside of its AA. We reviewed this analysis and conducted our own sample which verified the bank's numbers. The following table illustrates the bank's lending in and outside of its AA.

<b>Penetration of Lending Inside the Assessment Area Loans Originated from January 1, 1997 to March 31, 1999</b>				
<b>Loan Type</b>	Number of Loans Sampled	% of Number In AA	Dollar Amount of Loans Sampled (000's)	% of Total Dollar Amount in AA
<b>Bank Analysis</b>	2,657	82.8%	\$124,993	67.5%
<b>Our Sample</b>	100	89.0%	\$12,056	78.7%

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes in the Assessment Area**

RNB has a reasonable distribution of lending to borrowers of different incomes and to businesses of different sizes within both AAs. We reviewed the bank's performance within each AA.

*Devils Lake Assessment Area*

Business and Small Farm Loans

RNB has a good record of lending to businesses and farms of all revenue sizes in the Devils Lake AA. This lending activity helps meet the identified credit needs of the communities RNB serves. The following tables illustrate loans to various businesses and farmers within the Devils Lake AA.

<b>Agriculture Loans - 20 loans totaling \$2,406,000</b>		
<b>Annual Gross Sales (000's)</b>	<b>% Number of Loans Sampled</b>	<b>% Dollar Volume Sampled</b>
<b>\$100 or less</b>	<b>35%</b>	<b>21%</b>
<b>\$101 - \$250</b>	<b>30%</b>	<b>22%</b>
<b>\$251 - \$1,000</b>	<b>30%</b>	<b>28%</b>



<b>Agriculture Loans - 20 loans totaling \$2,406,000</b>		
<b>Annual Gross Sales (000's)</b>	<b>% Number of Loans Sampled</b>	<b>% Dollar Volume Sampled</b>
<b>&gt; \$1,000</b>	<b>5%</b>	<b>29%</b>

<b>Commercial Loans - 20 loans totaling \$3,647,000</b>		
<b>Annual Gross Sales (000's)</b>	<b>% Number of Loans Sampled</b>	<b>% Dollar Volume Sampled</b>
<b>\$100 or less</b>	<b>25%</b>	<b>49%</b>
<b>\$101 - \$250</b>	<b>35%</b>	<b>32%</b>
<b>\$251 - \$1,000</b>	<b>30%</b>	<b>8%</b>
<b>&gt; \$1,000</b>	<b>10%</b>	<b>11%</b>

RNB has a satisfactory record of lending to consumers of different income levels in the Devils Lake AA. The following table illustrates loans to consumers within the Devils Lake AA. Our sample included 20 loans totaling \$116M all originated since the last CRA examination.

<b>Income Level</b>	<b>% Families in the AA (1990 Census Data)</b>	<b>% Number of Loans Sampled</b>	<b>% Dollar Volume Loans Sampled</b>
<b>Low-Income</b> < 50% Median Family income*	22%	30%	14%
<b>Moderate-Income</b> at least 50% < 80% Median Family Income*	20%	20%	13%
<b>Middle-Income</b> at least 80% < 120% Median Family Income*	23%	25%	33%
<b>Upper-Income</b> 120% and > Median Family Income*	35%	25%	40%

\* 1998 Updated Outstate income \$35,800

### *Fargo Assessment Area*

#### Business Loans

RNB has a satisfactory record of lending to businesses of all revenue sizes in the Fargo AA. This lending activity helps meet the identified credit needs of the communities RNB serves. The following tables illustrate loans to various businesses within the Fargo AA.

<b>Commercial Loans - 20 loans totaling \$5,699,000</b>		
<b>Annual Gross Sales (000's)</b>	<b>% Number of Loans Sampled</b>	<b>% Dollar Volume Sampled</b>
<b>\$100 or less</b>	<b>20%</b>	<b>3%</b>
<b>\$101 - \$250</b>	<b>30%</b>	<b>22%</b>
<b>\$251 - \$1,000</b>	<b>5%</b>	<b>1%</b>
<b>&gt; \$1,000</b>	<b>45%</b>	<b>74%</b>

#### Consumer Loans

RNB has a satisfactory record of lending to consumers of different income levels in the Fargo AA. This lending activity helps meet the identified credit needs of the communities RNB serves. The following tables illustrate loans to consumers within the Fargo AA. Our sample included 20 loans totaling \$188M, all originated since the last CRA examination.

<b>Income Level</b>	<b>% Families in the AA (1990 Census Data)</b>	<b>% Number of Loans Sampled</b>	<b>% Dollar Volume Loans Sampled</b>
<b>Low-Income</b> < 50% Median Family income*	16%	20%	11%
<b>Moderate-Income</b> at least 50% < 80% Median Family Income*	18%	15%	7%
<b>Middle-Income</b> at least 80% < 120% Median Family Income*	26%	40%	44%
<b>Upper-Income</b> 120% and > Median Family Income*	40%	25%	38%

\* 1998 Updated MSA income \$46,400

### Residential Real Estate Loans

Overall, the bank's distribution of HMDA reportable loans to borrowers of different income levels is acceptable. The residential real estate lending activity helps meet the identified housing credit needs of the Fargo AA.

RNB's record of lending to low- and moderate-income individuals is mixed. RNB's record of residential real estate lending to all income level borrowers does not approach the demographics of the assessment area for low-income borrowers. This can be explained with RNB's branch location in Fargo which is located in census tract 103.02, an upper-income tract. The Housing and Urban Development Agency estimates the 1999 median family income of the tract to be \$68,330 which is well above the 1998 AA median family income of \$46,400. Real estate lending within this tract tends to be in new housing developments as the median age of housing stock within the tract is only 4 years.

The following table illustrates residential real estate lending activities. Our review included all HMDA reported loans made in the bank's AA during 1997, 1998 and the first quarter of 1999. This equaled 55 loans totaling \$2,179M.

<b>Income Level</b>	<b>% Families in the AA (1990 Census Data)</b>	<b>% Number of Loans Sampled</b>	<b>% Dollar Volume Loans Sampled</b>
<b>Low-Income</b> < 50% Median Family income*	16%	4%	4%
<b>Moderate-Income</b> at least 50% < 80% Median Family Income*	18%	13%	4%
<b>Middle-Income</b> at least 80% < 120% Median Family Income*	26%	38%	26%
<b>Upper-Income</b> 120% and > Median Family Income*	40%	45%	66%

\* 1998 Updated MSA income \$46,400

### **Geographic Distribution of Loans**

RNB's distribution of loans reflects reasonable dispersion throughout both of its AAs. The bank maintains loan information by census tract and by block numbering area. We were able to review the dispersion of the number of loans made in each block numbering area or census tract for 1997, 1998, and through the first quarter of 1999 within each AA.

#### *Devils Lake Assessment Area*

The dispersion of loans for each income group strongly resembles the population residing in each income group. The following table compares the total population for the moderate-, middle-, and upper-income areas with the total number of loans RNB made in each of the areas.

<b>Block Numbering Area</b>	<b>% of Population in Each Group (1990 Census Data)</b>	<b>% Number of Loans Made in Each Group</b>
<b>3 Moderate-Income</b> at least 50% < 80% Median Family Income*	34%	29%
<b>6 Middle-Income</b> at least 80% < 120% Median Family Income*	45%	51%
<b>2 Upper-Income</b> 120% and > Median Family Income*	21%	20%

\* 1998 Updated Outstate income \$35,800

### *Fargo Assessment Area*

The dispersion of loans for each income group adequately resembles the population residing in each income group. Although the percentage of loans made in the moderate-income tracts is below the population demographics, this can be explained with RNB's branch location in Fargo which is located in census tract 103.02, an upper-income tract. RNB's primary customer base, due to proximity, tends to be upper-income individuals. The following table compares the total population for the moderate-, middle-, and upper-income areas with the total number of loans RNB made in each of the areas.

<b>Block Numbering Area</b>	<b>% of Population in Each Group (1990 Census Data)</b>	<b>% Number of Loans Made in Each Group</b>
<b>6 Moderate-Income</b> at least 50% < 80% Median Family Income*	18%	8%
<b>18 Middle-Income</b> at least 80% < 120% Median Family Income*	63%	59%
<b>4 Upper-Income</b> 120% and > Median Family Income*	19%	33%

\* 1998 Updated MSA income \$46,400

### **Record of Response to Complaints**

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

### **Record of Compliance with Anti-discriminatory laws**

Based on our review, the bank is complying with anti-discriminatory laws. We found no substantive violations of the fair lending laws.