



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 14, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Lewistown
Charter Number 12608**

**220 W. Main Street
Lewistown, Montana 59457**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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 **First National Bank of Lewistown** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 14, 1996. 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.”**

We assign this rating based on the following factors:

- A comparable loan-to-deposit ratio to five similarly situated banks;
- A high number of loans in the assessment area; and
- An even distribution of lending to borrowers of different income and businesses of different sizes.

The following table indicates the performance level of *First National Bank of Lewistown* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	First National Bank of Lewistown Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints received since the last examination.		

DESCRIPTION OF INSTITUTION:

First National Bank of Lewistown in Lewistown, Montana, is an independently-owned community bank. Total assets of the bank were \$56.7 million as of June 30, 1996. The bank has no branches and operates one automated teller machine in the community. The bank is a subsidiary of Citizens Development Corporation, a six-bank holding company located in Billings, Montana. Consolidated assets of the holding company and subsidiary bank totaled \$298.8 million as of December 31, 1995. The bank does not have any financial or legal impediments that prevent it from meeting the credit needs of the community/assessment area.

The bank’s business focus is small business, small farm, general purpose consumer, and residential real estate lending. These loans make up 40 percent, 37 percent, 12 percent, and 11 percent, respectively, of loan originations by number for 30 months ending June 30, 1996.

The prior Community Reinvestment Act Performance Evaluation was dated October 28, 1991, with a “Satisfactory” rating.

DESCRIPTION OF ASSESSMENT AREA:

The bank’s assessment area (AA) includes the city of Lewistown, Montana, and surrounding communities. The area has 19 block numbering areas (BNAs) that take in the counties of Fergus, Garfield, Golden Valley, Judith Basin, Musselshell, Petroleum, and Wheatland. The AA covers an area approximately 220 miles wide by 121 miles long. The population of the AA is 23,737. The 1990 U. S. Census data shows nonmetropolitan statewide median family income for Montana is \$27,349. The median income classification for the BNAs in the AA is shown in the following table:

Income Category	Number of BNAs	Percent of families in AA
Low	0	0
Moderate	8	42
Middle	11	58
Upper	0	0
Total	19	100

The economy of the AA has been growing rapidly. Tourism is beginning to play an important role. The leading industry is agriculture (beef and grain) with an average of \$115 million in cash receipts each year. The top employers are services, farm, government, and retail trade. The current average cost of a house in Lewistown and the surrounding area is \$52,000. The average cost of a house for the entire AA was not available.

Competition from other financial institutions is strong. Financial institutions in the AA include an independent national bank, Farm Credit Services, two credit unions, two regional bank branches, one federal savings bank, and five state-chartered banks. The bank's designated assessment area complies with the Community Reinvestment Act and does not arbitrarily exclude low- and moderate-income geographies.

Community contacts for this examination include the Chamber of Commerce, Lewistown City Planners, and Human Resources Development Council. The contacts all identified affordable housing as a primary need in Lewistown and the surrounding communities. Approximately 33 percent of the Lewistown housing stock is considered substandard. While housing may appear affordable, existing housing stock within the affordability range may not be in standard condition, thus requiring funds for necessary repairs. Mortgage lenders often require repairs on a unit in order to provide financing. Thus these repairs plus the cost of the house can exceed the parameters of affordability for low- and moderate-income individuals. A low- and moderate-income buyer would also need a sizeable downpayment or receive homebuyer assistance in the form of a mortgage buydown to purchase newly-constructed homes. A housing plan task force has determined that local government involvement is necessary to meet these affordability issues for low- and moderate-income buyers. In response to the community's housing needs, the bank donated \$1,000 each to Habitat for Humanity and Lewistown Housing Task Force.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

First National Bank of Lewistown has maintained a comparable loan-to-deposit ratio for the eight quarters ending June 30, 1996. The bank's loan-to-deposit ratio was compared to five independent community banks all within the AA. During these eight quarters, the bank's loan-to-deposit ratio went from 58 percent on December 31, 1994, to 74 percent on June 30, 1996, with an average loan-to-deposit ratio of 66 percent. During the second quarter of 1996, loans grew 5 percent while deposits declined by 6 percent. This was a result of an increase in agricultural borrowings and a decline in agricultural deposits due to declining livestock prices. The loan-to-deposit ratio for the five similarly-situated banks ranged from 63 percent to 86 percent with an average of 73 percent.

Lending in the Assessment Area

First National Bank of Lewistown originated a very high number of loans in the AA. Between January 1, 1994, and June 30, 1996, the bank originated approximately 2,200 loans (by number), of which approximately 1,900 (87 percent) were within the AA. We determined the percentage of loans within the AA from a bank-generated report of loan originations by town. We verified the accuracy of the report by matching a sample of borrowers' addresses from the loan applications against the city/town names on the bank-generated report.

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

The bank's loan originations reflect an even distribution to borrowers of different income and businesses of different sizes. The proportion of loan originations to low- and moderate-income individuals parallels the corresponding percentage in the population of the AA. We determined the percentage of borrowers in each income level from a bank-generated report of loan originations between January 1, 1996, and June 30, 1996. For individual borrowers, we looked at consumer loan products including auto, retail, and unsecured loans plus overdraft protection lines of credit. We verified the accuracy of the report by matching a sample of borrowers' incomes from the loan applications against the income level reported on the bank-generated report.

The table below shows the demographics of the assessment area and the bank's lending performance in each income category based on the bank's generated report and our verification.

Tract Income Category	Percent of Population	Percent of Loan Originations	Number of Loan Originations
Low	23	24	33
Moderate	22	17	23
Middle	24	24	33
Upper	31	36	49
Total	100	100	138

Business Revenues (\$000)	Percent of Loan Originations	Number of Loan Originations
0-100	52	99
100-250	21	40
250-500	13	25
500-1,000	5	10
>1 million	9	16
Total	100	190

Geographic Distribution of Loans

The bank's loan originations reflect a heavier concentration in middle-income tracts compared to the corresponding population percentage in the AA. The lesser loan volume in the moderate tracts is mitigated by two primary factors. First, the middle-income tracts include and surround the bank's office and the moderate-income tracts border the outside of the middle-income tracts. Second, due to the size of the AA (approximately 220 miles long by 121 miles wide), the moderate-income tracts are serviced by 13 financial institutions. We determined the percentage of borrowers within the BNAs of the AA from a bank-generated report of loan originations between January 1, 1996, and June 30, 1996. We verified the accuracy of the report by matching a sample of borrowers' addresses from the loan applications against the BNA reported on the bank-generated report.

The next table shows the demographics of the assessment area and the bank's lending performance in each income category based on the bank-generated report and our verification.

Tract Income Category	Percent of Population	Percent of Loan Originations	Number of Loan Originations
Low	0	0	0
Moderate	37	5	15
Middle	63	95	303
Upper	0	0	0
Total	100	100	318

Record of Complaints and Compliance with Antidiscrimination Laws

There were no complaints about the bank's CRA performance from the public and we found no violations of the substantive provisions of antidiscrimination laws and regulations.