



## Public Disclosure

July 12, 1999

# Community Reinvestment Act Performance Evaluation

Bremer Bank, National Association  
Charter Number: 2567

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Crookston, Minnesota 56716

Office of the Comptroller of the Currency

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**NOTE:** This evaluation is not, and should not 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.

# Table of Contents

**General Information** . . . . . 3

**Definitions and Common Abbreviations** . . . . . 4

**Overall CRA Rating** . . . . . 6

**Description of Institution** . . . . . 7

**Scope of Evaluation** . . . . . 8

**Fair Lending Review** . . . . . 10

**Conclusions with Respect to Performance Tests**

    Lending Test . . . . . 11

    Investment Test . . . . . 16

    Service Test . . . . . 18

**Appendix A: Scope of Evaluation** . . . . . A-1

**Appendix B: Market Profiles for Areas Receiving Full-Scope Reviews** . . . . . A-2

**Appendix C: Tables of Performance Data** . . . . . A-4

## 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** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **July 12, 1999**. 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 the 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.*

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate** - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**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.

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

**Community Development (CD)** - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

**Community Reinvestment Act (CRA)** - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Full-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area 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 (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Limited-Scope Review** - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

**Low-Income** - Income levels that are less than 50% of the median family income.

**Median Family Income (MFI)** - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Statistical Area (MSA)** - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80% and less than 120% of the MFI.

**Moderate-Income** - Income levels that are at least 50% and less than 80% of the MFI.

**Small Business Loans** - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Farm Loans** - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 Capital** - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income** - Income levels that are 120% or more of the MFI.

## Overall CRA Rating

**Institution’s CRA Rating:** This institution is rated **“Satisfactory.”**

The following table indicates the performance level of **Bremer Bank, National Association (BBNA)** with respect to the Lending, Investment, and Service Tests.

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

\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

The major factors that support this rating include:

- < BBNA’s lending activity reflects excellent responsiveness to farm credit needs and good responsiveness to business credit needs. In the Polk County AA, BBNA’s primary AA, its market shares for both small farm loans (83%) and small business loans (45%) exceed its market share for deposits (32%).
- < The loan distribution to farms of different sizes is excellent. BBNA originated 96% of its reported farm loans to small farms. This exceeded AA demographics and the performance of other reporting lenders.
- < BBNA’s distribution of loans by income level of geography is adequate. BBNA originated a substantial majority of its loans to borrowers in its AAs.
- < BBNA originated an excellent level of community development loans relative to its size.
- < BBNA has an adequate level of qualified investments. Investments in the bank’s AAs total \$195,000 and represent 1.02% of Tier 1 capital.
- < BBNA’s service delivery systems are reasonably accessible to geographies and individuals of different income levels.
- < BBNA provides an adequate level of community development services.

## Description of Institution

Bremer Bank, National Association (BBNA) is a \$240 million intrastate institution located in northwestern Minnesota. In addition to its main office in Crookston, BBNA operates two full-service branches in Warren and Shelly. BBNA also operates a deposit-only branch in Fisher. The bank services four automated teller machines (ATMs) within its AAs, three of which are full-service.

BBNA is a full-service bank, offering a variety of deposit and loan products. The bank's lending focus is agricultural and agricultural real estate credit. This is evidenced by the distribution of outstanding loans, as well as the distribution of its originations considered in this evaluation. As of June 30, 1999, BBNA's loan portfolio consisted of agricultural and agricultural real estate (50%), consumer (21%), residential real estate (16%), commercial and commercial real estate (10%), and other (3%) loans. BBNA's net loans and leases to assets ratio was 67% and its loan to deposit ratio was 92% as of June 30, 1999. Tier 1 capital on that date was \$19,158,000. 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.

The bank has three separate AAs. BBNA's Polk County AA is a portion of the Grand Forks ND-MN MSA #2985. The AA consists of the Minnesota portion of the MSA (Polk County). The Warren AA consists of Marshall County - a contiguous county to the north of Polk County. The Shelly AA consists of Norman County - a contiguous county to the south of Polk County. The Warren and Shelly AAs are nonmetropolitan areas. Since we performed limited scope reviews in the Warren and Shelly AAs, we combined these AAs for analysis and presentation in this performance evaluation. They are referred to as the "Nonmetropolitan AAs."

The bank's AAs meet the requirements of the regulation, and they do not arbitrarily exclude any low- or moderate-income geographies.

## Scope of Evaluation

### Evaluation Period/Products Evaluated

We examined BBNA using the large bank tests pursuant to the revised CRA regulation. This evaluation covers lending, investment, and service activities since the previous CRA examination dated February 20, 1998 with the following exceptions and notations:

- < Our analysis of business and farm lending included all 1997 and 1998 reported originations. We excluded year-to-date 1999 originations because data is reported and aggregated in whole years. We included 1997 originations because the data was not included in the previous evaluation.
- < Market comparisons for business and farm lending are based on 1997 CRA data. At the time of the examination, 1998 information was available for BBNA, but not for the market in aggregate.
- < We placed more reliance on market demographics than market share analysis in our evaluation. Of more than eleven financial institutions in the AA, seven (including several significant community banks) are not subject to large bank reporting requirements.
- < In both the Polk County and Nonmetropolitan AAs, we assigned the most weight to farm loans. Farms loans represent 72% of the bank's loan originations in the Polk County AA and 86% in the Nonmetropolitan AAs.
- < Although the refinance product comprised 50% of the bank's home mortgage originations in the Polk County AA (and 48% in the Nonmetropolitan AAs), we gave it little weight in our overall assessment of home mortgage loans. This type of lending is primarily used to decrease a borrower's cost of credit, and it is not unusual to have weaker borrower income distributions. Many settlement costs associated with a loan refinancing do not vary based on loan amount. Therefore, it generally takes longer to recoup these costs (through interest savings) on smaller dollar loans. And it is likely the low- and moderate-income sectors have a higher proportion of small dollar loans given the direct correlation between income and debt service ability.
- < Our analysis of home mortgage loans did not include home improvement loans. Bank systems do not separately code this product.
- < Our analysis of home mortgage loans included 1997 and 1998 originations. We chose this period to be consistent with other loan products.

- < At the bank's request, we considered qualified investments of the affiliated Otto Bremer Foundation in the "Investment Test" assessment.
- < At the bank's request, we considered automated teller machines (ATMs) owned by the affiliated Bremer Services, Incorporated in the "Service Test" assessment.

### **Data Integrity**

- < We identified some reporting errors in the bank's CRA Disclosure Statements. The bank revised the data. After validating its accuracy, we used the revised information in our analysis of business and farm lending. We also adjusted the aggregate loan data released by the Federal Financial Institutions Examination Council (FFIEC) for the bank's reporting errors.
- < After validating the accuracy of the bank's HMDA Loan Application Register, we used this information in our evaluation.

### **Selection of Areas for Full-Scope Review/Ratings**

- < We performed a full-scope review of the Polk County AA (MSA #2985) and a limited scope review of the Nonmetropolitan AAs. The Polk County AA accounts for 66% of BBNA's loan originations by number (and 68% by dollar) over the evaluation period. This AA contains 50% of the bank's branches and 75% of its ATMs. BBNA has a 32% deposit market share in Polk County and is first in deposit market rank.
- < We generally try to obtain a representative sample of both significant and less significant markets in which the bank operates when we select areas for full-scope reviews.
- < BBNA's CRA rating is primarily based on the results of the Polk County AA.
- < Refer to the table in Appendix A for more information regarding the examination scope.

## **Fair Lending Review**

Examiners did not identify any instances of illegal discrimination or discouragement in a fair lending review conducted in 1998. 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.

## Conclusions with Respect to Performance Tests

### LENDING TEST

#### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Lending Test is rated "Outstanding" based primarily on our full-scope review of the Polk County AA.

#### **Lending Activity**

*(Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity).*

Lending levels reflect excellent responsiveness to the AA's credit needs and are strong in relation to the bank's deposit market share. As of June 30, 1999, BBNA's loan-to-deposit ratio of 92% was the second highest ratio of the seven banks with a main office in Polk County. The loan-to-deposit ratios of the other six institutions ranged from 35% to 94%, with an average of 62%. BBNA has a 32% deposit market share in the Polk County AA, ranking first of eleven institutions.

Farm lending activity is excellent based on available information. BBNA originated 2,379 reportable farm loans (totaling \$143 million) during the evaluation period. A substantial majority of these loans (2,158 or 91%) were in the bank's AAs. BBNA made 1,338 farm loans (totaling \$84 million) in the Polk County AA. BBNA originated 83% of all reported 1997 farm loans in the Polk County AA, ranking first of seven reporting lenders.

Business lending levels are good. BBNA originated 344 reportable business loans (totaling \$31 million) during the evaluation period. A substantial majority of these loans (300 or 87%) were in the bank's AAs. BBNA made 241 business loans (totaling \$23 million) in the Polk County AA. BBNA originated 45% of all reported 1997 business loans in the Polk County AA, ranking first of 18 reporting lenders.

Lending levels reflect adequate responsiveness to home mortgage credit needs. BBNA originated 363 home mortgage loans (totaling \$21 million) during the evaluation period. A substantial majority of these loans (338 or 93%) were in the bank's AAs. BBNA made 261 home mortgage loans (totaling \$17 million) in the Polk County AA. BBNA originated 14% of all reported 1997 HMDA loans in the Polk County AA, ranking first of 68 reporting lenders.

## **Distribution of Loans by Income Level of the Borrower**

### ***Small Farm Loans***

*(Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small farm loan originations.)*

The distribution of loans to farms of different sizes is excellent. We emphasized the market demographic analysis as most banks in the AA are not subject to large bank reporting requirements. BBNA originated 1,287 (or 96%) of its 1,338 reported farm loans to farms with gross annual revenues of \$1 million or less (i.e. small farms). Bank performance is at least as good as AA demographics - 92% of farms in the AA are small (5% do not report revenue information). Of the farms that report revenue information, 96% are small. Bank performance is better than other reporting lenders, who originated 91% of their reported farm loans to small farms in 1997.

Of all banks subject to CRA data reporting, BBNA ranked first in small farm originations in the Polk County AA. BBNA originated 692 (or 84%) of the 826 reported loans to small farms in 1997.

The bank's willingness to make loans to small farms is further evidenced by an excellent loan size distribution. BBNA originated 81% of its reported farm loans in amounts of \$100 thousand or less, with an average loan size of \$63 thousand. Bank performance is better than other lenders who reported loans in the Polk County AA. In aggregate, other lenders made 75% of their 1997 farm loans in amounts of \$100 thousand or less, with an average loan size of \$85 thousand.

### ***Small Business Loans***

*(Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's small business loan originations.)*

The distribution of loans to businesses of different sizes is adequate. We emphasized the market demographic analysis as most banks in the AA are not subject to large bank reporting requirements. BBNA made 166 (or 69%) of its 241 reported business loans to businesses with gross annual revenues of \$1 million or less (i.e. small businesses). Bank performance is less than AA demographics - 79% of the businesses are small (14% do not report revenue information). Of the businesses that report revenue information, 91% are small. Bank performance is better than other lenders who reported loans in the Polk County AA. In aggregate, other lenders originated 51% of their reported business loans to small businesses in 1997.

Of all banks subject to CRA data reporting, BBNA originated the most loans to small businesses (those with gross annual revenues of \$1 million or less) in the Polk County AA. BBNA made 45 (or 36%) of the 126 reported loans to small businesses in 1997.

The bank's loan size distribution is adequate. BBNA made 76% of its reported business loans in amounts of \$100 thousand or less, with an average loan size of \$97 thousand. Bank performance is less than other lenders who reported loans in the Polk County AA. In aggregate, other lenders made 83% of their 1997 business loans in amounts of \$100 thousand or less, with an average loan size of \$67 thousand.

As the largest financial institution in the Polk County AA, BBNA's capacity to serve large businesses (including its legal lending limit and human resources) are competitive advantages. Because of these advantages, it is not unreasonable for BBNA to maintain a strong market share with large businesses (businesses with gross annual revenues of more than \$1 million).

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

*(Refer to Tables 7, 8 and 9 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations.)*

The overall distribution of home mortgage loans to borrowers of different income levels is good.

Bank performance involving home purchase loans to moderate-income borrowers is excellent. The percentage of home purchase loans to moderate-income borrowers (35%) exceeds the percentage of moderate-income families in the AA (20%). In 1997, BBNA's market share for moderate-income borrowers (32%) exceeded its market share to borrowers of all income levels (18%).

The percentage of home purchase loans to low-income borrowers (11%) is adequate relative to the percentage of low-income families in the AA (20%). In 1997, BBNA's market share for home purchase loans to low-income borrowers (32%) exceeded its market share to borrowers of all income levels (18%).

Bank performance for the refinance product is poor. BBNA made 4% of its refinance loans to low-income borrowers and 7% to moderate-income borrowers. This is much less than the percentage of low- and moderate-income families in the AA (20% for each category). In 1997, BBNA's market share for refinance loans to low-income borrowers (0%) and moderate-income borrowers (3%) was very poor compared to its overall market share (12%).

**Distribution of Loans by Income Level of the Geography**

Our geographic distribution analysis of the bank's lending activity included a review for any unexplained gaps in the AAs, particularly in moderate-income areas. We did not identify any unexplained gaps.

***Small Farm Loans***

*(Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small farm loan originations.)*

The bank's distribution of small farm loans is adequate given the distribution of farms throughout the Polk County AA. The AA's two moderate-income CTs are located in the eastern half of Polk County and are at least 30 miles from BBNA's nearest office. BBNA's market share in these CTs is low due to its poor proximity and the presence of several competing banks in these CTs. Only 5% of BBNA's small farm loan originations were to farms in moderate-income CTs, while 27% of the farms in the AA are located in those CTs. BBNA originated 95% of its reported farm loans in the middle-income CTs which surround its offices.

BBNA originated a substantial majority of its small farm loans (91%) to farms within its AAs.

***Small Business Loans***

*(Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's small business loan originations.)*

The bank's distribution of small business loans is adequate given the distribution of businesses throughout the Polk County AA. Only 7% of BBNA's small business loan originations were to businesses in moderate-income CTs, while 23% of the businesses in the AA are located in those CTs. This is reasonable given BBNA's poor proximity and the presence of several competing banks in these CTs. BBNA originated 93% of its reported business loans in middle-income CTs - 71% of the AA businesses are located in middle-income CTs.

BBNA originated a substantial majority of its small business loans (87%) to businesses within its AAs.

### **Home Mortgage Loans**

*(Refer to Tables 2, 3 and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations.)*

The geographic distribution of home mortgage loans is adequate given the distance of BBNA's offices from the moderate-income CTs. Twenty-six percent of owner-occupied units are located in moderate-income CTs. BBNA originated 15% of its home purchase loans and 14% of its refinance loans in moderate-income CTs.

BBNA originated a substantial majority of its home mortgage loans (93%) to borrowers within its AAs.

### **Community Development Lending**

*(Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.)*

BBNA originated an excellent volume of community development loans. BBNA originated nine community development loans totaling \$1.3 million. Most of the proceeds of the loans benefitted the Polk County AA and \$26,000 benefitted the Nonmetropolitan AAs. Total community development loans represent 6.99% of Tier 1 capital, which is an excellent level given the relatively short evaluation period (approximately 18 months). The following are examples of BBNA's community development loans.

- < BBNA originated two loans totaling \$798,383 for the rehabilitation of an apartment complex in Crookston. The complex consists of 60 units that are all rented by low- or moderate-income families.
- < BBNA originated a \$22,392 loan to a nonprofit organization in Crookston that assists low-income families with housing, employment, job training, and financial support.
- < BBNA refinanced a \$100,000 line of credit to an organization that serves both the Polk County and Nonmetropolitan AAs. The organization provides mental health services to low-income individuals and farmers in financial need. Most farms in the AAs are small.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on a limited scope review, the bank's performance in the Nonmetropolitan AAs is consistent with the bank's overall "Outstanding" Lending Test performance in the Polk County AA. Refer to Tables 1 through 11 for the facts and data that support this conclusion.

## INVESTMENT TEST

### Conclusions for Areas Receiving Full-Scope Reviews

*(Refer to Table 12 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.)*

The bank's performance under the Investment Test is rated "Low Satisfactory" based primarily on our full-scope review of the Polk County AA.

Opportunities for qualified investment securities that specifically target the bank's AA are limited. However, there are opportunities for community development grants and donations.

BBNA's level of qualified investments is adequate given the bank's capacity, limited investment opportunities, and short evaluation period (approximately 18 months). Qualifying investments in the Polk County AA total \$107,383. This represents 0.57% of the bank's Tier 1 capital. Virtually all of the investments attributed to the Polk County AA are grants made by the affiliated Otto Bremer Foundation. None of the investments are considered innovative or complex, and all are routinely provided by private investors.

BBNA provided grants to a wide range of community development organizations. The largest portion of the grants went to organizations that provide social services to LMI individuals. Examples of BBNA's qualified investments follow:

- < BBNA provided a \$15,000 grant to a convent for the provision of health care services to elderly, low-income nuns.
- < BBNA provided a \$9,250 grant to an organization which operates programs for battered women and children and for a health services program. The majority of the people served by these programs are LMI.
- < BBNA provided a \$21,460 grant to an organization that provides technical assistance to farmers located in northwestern Minnesota. The region served includes the bank's AAs. The majority of farms in the AAs are small.

## **Conclusions for Area Receiving Limited-Scope Reviews**

*(Refer to the Tables 12 in Appendix C for the facts and data that support these conclusions.)*

Based on a limited-scope review, BBNA's Investment Test performance in the Nonmetropolitan AAs is consistent with the bank's overall "Low Satisfactory" performance under the Investment Test. Refer to Table 12 for the facts and data that support this conclusion.

## SERVICE TEST

### Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "Low Satisfactory" based primarily on our full-scope review of the Polk County AA.

#### Retail Banking Services

*(Refer to Table 13 in Appendix C for the facts and data used to evaluate the distribution of the bank's branch and ATM delivery system.)*

Retail delivery systems are reasonably accessible to geographies and individuals of different income levels. BBNA maintains a full-service office and a deposit-only branch in the Polk County AA. Both facilities are located in middle-income CTs. In addition, BBNA services three ATMs (two deposit-taking and one cash-dispensing). All three ATMs are located in middle-income CTs. The lack of facilities in moderate-income CTs is not unreasonable. Sixty-five percent of the LMI families in the AA live in middle-income geographies. Further, the moderate-income CTs are located in the eastern half of Polk County which is at least 30 miles from BBNA's nearest office. BBNA's lending market share in these CTs is low due to its poor proximity and presence of several competing banks in these CTs.

Business hours do not vary in a way that inconveniences low- or moderate-income geographies or individuals. The main office is open weekdays until 4:00 p.m. (except Thursdays when the lobby is open until 5:00 p.m.). The main office drive-up facility is open until 5:30 p.m. weekdays (except Thursdays when it is open until 7:00 p.m.). Both the lobby and drive-up facilities are open until 12:00 p.m. on Saturdays. A full-service ATM located is available 24 hours at the main office. The lobby and drive-up at the Fisher office are open until 12:30 p.m. weekdays. There is also a full-service ATM located at a Crookston grocery store.

BBNA offers a wide variety of traditional banking products and services. Product offerings include a free consumer checking account with no minimum balance. BBNA does not charge its customers ATM maintenance fees or transaction fees at proprietary ATMs. Bank services include a 24-hour telephone banking service (account inquiries, transfers and loan payments) and accessibility to an interpreter for any nonEnglish language. The bank does not gather income information from the users of these products and services, so we could not place significant weight on these offerings. However, it is likely these products and services enhance accessibility to low- and moderate-income individuals.

BBNA did not open or close any branches during the evaluation period.

## **Community Development Services**

BBNA provides an adequate level of community development services in its Polk County AA. During the evaluation period, nine employees provided community development services to ten organizations that serve the AA. The following are examples of community development services provided by the bank.

- < A bank employee serves on the Habitat for Humanity Board of Directors and is involved in fund-raising for the organization. Habitat for Humanity provides housing for LMI families.
- < A bank employee serves on the board of directors of an organization that provides financing to small businesses in the bank's AAs.
- < A bank employee serves on the board of directors of a foundation that operates a homeless shelter and various community service programs for LMI people in both the bank's AAs.

BBNA also offers a low-transaction fee checking account tailored to the needs of community and nonprofit organizations.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

*(Refer to Table 13 in Appendix C for the facts and data that support these conclusions.)*

Bank performance in the Nonmetropolitan AAs is consistent with BBNA's overall "Low Satisfactory" Service Test performance. Refer to Table 13 for the facts and data that support this conclusion.

## Appendix A: Scope of Evaluation

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term "Full-Scope") and those that received a less comprehensive review (designated by the term "Limited-Scope").

<b>Time Period Reviewed</b>	Lending Test: January 1, 1997 to December 31, 1998* Investment Test: February 21, 1998 to July 12, 1999 Service Test: February 21, 1998 to July 12, 1999	
<b>Financial Institution</b>	<b>Loan Products Reviewed</b>	
Bremer Bank, National Association (BBNA) Crookston, MN	Small Business, Small Farm, Home Mortgage, Community Development	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Activities Reviewed</b>
Otto Bremer Foundation Bremer Services, Inc.	Parent Company Sister Company	Qualified Investments Automated Teller Machines
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Polk County AA	Full-Scope	The Minnesota portion of the Grand Forks, ND Interstate MSA #2985.
Shelly Assessment Area	Limited-Scope	Norman County, MN; nonmetropolitan
Warren Assessment Area	Limited-Scope	Marshall County, MN; nonmetropolitan

\* The time period for community development lending was February 21, 1998 to July 12, 1999.

## Appendix B: Market Profiles for Full-Scope Areas

### Polk County Assessment Area

Demographic Information for Full-Scope Area: Polk County Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts/BNAs)	10	n/a	20%	70%	10%	n/a
Population by Geography	32,498	n/a	22%	71%	7%	n/a
Owner-Occupied Housing by Geography	8,950	n/a	26%	67%	7%	n/a
Businesses by Geography	1,127	n/a	23%	71%	6%	n/a
Farms by Geography	87	n/a	27%	71%	2%	n/a
Family Distribution by Income Level	8,532	20%	20%	25%	35%	n/a
Distribution of Low- and Moderate-Income Families throughout AA Geographies	3,458	n/a	31%	65%	4%	n/a
Median Family Income (MFI) HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$29,793 = \$40,800 = 15.9%	Median Housing Value Unemployment Rate **			= \$45,008 = 4.1%	

Source: 1990 U.S. Census and 1998 HUD updated MFI.

The Polk County AA consists of Polk County, Minnesota. BBNA originated 66% of the loans considered in this evaluation in the Polk County AA. The Polk County AA is composed of ten CTs. Two of the CTs are designated moderate-income, seven are designated middle-income and one is designated upper-income. The estimated 1998 population for the City of Crookston (BBNA's main office location) is 8,100.

Current economic conditions are strained due to weaknesses in the agricultural economy. The AA is heavily dependent on agriculture production. Agricultural production is centered in small grains and sugar beets. Small grain production levels have suffered in recent years due to excessive moisture and disease. Recent crop yields have been strong in areas; however, agricultural commodity prices are at historically low levels. The persistence of weak economic conditions in the agricultural sector affects both farm operators and related local businesses that rely on the agricultural sector. Bank personnel and community contacts alike are increasingly concerned with the weak economic conditions.

Banking and financial services competition with the AA is moderate to strong. The AA is served by seven financial institutions with main offices in the AA. There are four other institutions with branch offices in the AA. As of June 30, 1998, total deposits of the 11 institutions with offices in the AA ranged from \$134 million to \$4 million.

The primary credit needs in the AA are agricultural, commercial and residential real estate. As part of this evaluation, we conducted two community contacts to further assess credit needs and economic conditions. One of the contacts, a real estate agent, indicated economic conditions were poor. The agent noted that average marketing periods for residential properties had increased to more than twelve months in some cases. The other contact, a local housing specialist, also noted economic weaknesses but felt Crookston's growing manufacturing base was helping to diversify the local economy. The real estate agent indicated that institutions could improve service by offering more flexible underwriting for residential mortgages. The housing specialist indicated down payment assistance programs would be beneficial. The real estate agent indicated local financial institutions were doing a satisfactory job serving the community.

## Appendix C: Tables of Performance Data

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### Content of Standardized Tables

The tables cover the entire CRA evaluation period. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations; market rank is based on the number of loans made by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated by the bank as a percentage of the aggregate number of reportable loans originated by all lenders in the MSA/assessment area. The following is a listing and brief description of the tables included in each set:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of HMDA Home Improvement Loan Originations** - See Table 2.
- Table 4. Geographic Distribution of HMDA Refinance Loan Originations** - See Table 2.
- Table 5. Geographic Distribution of Small Business Loan Originations** - The percentage distribution of the number of small loans (< \$1 million) to businesses originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 6. Geographic Distribution of Small Farm Loan Originations** - The percentage distribution of the number of small loans (< \$500,000) to farms originated by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of HMDA Home Purchase Loan Originations** - Compares the percentage distribution of the number of loans originated by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of HMDA Home Improvement Loan Originations** - See Table 7.
- Table 9. Borrower Distribution of HMDA Refinance Loan Originations** - See Table 7.
- Table 10. Borrower Distribution of Small Business Loan Originations** - Compares the percentage distribution of the number of small loans (< \$1 million) originated by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Farm Loan Originations** - Compares the percentage distribution of the number of small loans (< \$500 thousand) originated by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. The table also presents the percentage distribution of the number of loans originated by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/assessment area.
- Table 13. Distribution of Branch and ATM Delivery System** - Compares the percentage distribution of the number of the bank's retail branches and ATMs in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography.

**Table 1. Lending Volume**

LENDING VOLUME													State: Minnesota	Evaluation Period: January 1, 1997 to December 31, 1998
MSA/Assessment Area:	% of Total Bank Deposits in Rated Area	Home Mortgage		Small Business		Small Farm		Community Development		Total Reported Loans		% of Total Reported Bank Loans in Rated Area		
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)			
Full-Scope:														
Polk County AA	74%	261	\$16,673	241	\$23,493	1,338	\$83,969	9	\$1,313	1,849	\$125,448	66%		
Limited-Scope:														
Nonmetropolitan AAs	26%	77	\$3,513	59	\$5,604	820	\$50,166	1	\$26	957	\$59,309	34%		

**Table 2. Geographic Distribution of Home Purchase Loan Originations**

Geographic Distribution: HOME PURCHASE LOANS										State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Purchase Loans	
	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Polk County AA	n/a	n/a	26%	15%	67%	85%	7%	0%	1	18%	n/a	11%	23%	0%	128	77%
Limited-Scope:																
Nonmetropolitan AAs	n/a	n/a	13%	3%	87%	97%	n/a	n/a	1	29%	n/a	17%	30%	n/a	38	23%

(\*) Based on 1997 Aggregate HMDA Data only.

(\*\*) As a percentage of loans with geocode information available. Geocode information was available for 100% of BBNA loans originated in the Polk County and Nonmetropolitan AAs.

**Table 3. Geographic Distribution of Home Improvement Loan Originations**

Geographic Distribution: HOME IMPROVEMENT LOANS										State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998				
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Improvement Loans	
	% Owner Occ Units	% BBNA Loans	% Owner Occ Units	% BBNA Loans	% Owner Occ Units	% BBNA Loans	% Owner Occ Units	% BBNA Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Not applicable.																
Limited-Scope:																

(\*) Based on 1997 Aggregate HMDA Data only.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loan Originations**

Geographic Distribution: HOME MORTGAGE REFINANCE LOANS																
							State: Minnesota			Evaluation Period: January 1, 1997 to December 31, 1998						
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Home Mortgage Refinance Loans	
	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**	% Owner Occ Units	% BBNA Loans**		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Polk County AA	n/a	n/a	26%	14%	67%	85%	7%	1%	2	12%	n/a	8%	15%	4%	131	78%
Limited-Scope:																
Nonmetropolitan AAs	n/a	n/a	13%	5%	87%	95%	n/a	n/a	1	30%	n/a	25%	30%	n/a	37	22%

(\*) Based on 1997 Aggregate HMDA Data only.

(\*\*) As a percentage of loans with geocode information available. Geocode information was available for 100% of BBNA loans originated in the Polk County and Nonmetropolitan AAs.

**Table 5. Geographic Distribution of Small Business Loan Originations**

Geographic Distribution: SMALL BUSINESS LOANS																
State: Minnesota																
Evaluation Period: January 1, 1997 to December 31, 1998																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Business Loans	
	% of Businesses	% BBNA Loans	% of Businesses	% BBNA Loans	% of Businesses	% BBNA Loans	% of Businesses	% BBNA Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Polk County AA	n/a	n/a	23%	7%	71%	93%	6%	0%	1	45%	n/a	33%	55%	0%	241	80%
Limited-Scope:																
Nonmetropolitan AAs	n/a	n/a	10%	5%	90%	95%	n/a	n/a	1	42%	n/a	0%	43%	n/a	59	20%

(\*) Based on 1997 Aggregate Small Business Data only.

**Table 6. Geographic Distribution of Small Farm Loan Originations**

Geographic Distribution: SMALL FARM LOANS																
State: Minnesota																
Evaluation Period: January 1, 1997 to December 31, 1998																
MSA/Assessment Area:	Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall Market Rank*	Market Share by Geography*					Total Small Farm Loans	
	% of Farms	% BBNA Loans	% of Farms	% BBNA Loans	% of Farms	% BBNA Loans	% of Farms	% BBNA Loans		Overall	Low	Mod	Mid	Upp	#	% of Total
Full-Scope:																
Polk County AA	n/a	n/a	27%	5%	71%	95%	2%	0%	1	83%	n/a	92%	87%	2%	1,338	62%
Limited-Scope:																
Nonmetropolitan AAs	n/a	n/a	5%	4%	95%	96%	n/a	n/a	1	73%	n/a	58%	74%	n/a	820	38%

(\*) Based on 1997 Aggregate Small Farm Data only.

**Table 7. Borrower Distribution of Home Purchase Loan Originations**

Borrower Distribution: HOME PURCHASE LOANS																	State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Purchase Loans					
	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total				
Full-Scope:																				
Polk County AA	20%	11%	20%	35%	25%	27%	35%	27%	1	18%	32%	32%	20%	12%	128	77%				
Limited-Scope:																				
Nonmetropolitan AAs	21%	11%	21%	35%	26%	30%	32%	24%	1	29%	13%	39%	25%	36%	38	23%				

(\*) As a percentage of loans with borrower income information available. Borrower income information was not available for 4% of BBNA loans in the Polk County AA and 3% of BBNA loans in the Nonmetropolitan AAs.

(\*\*) Based on 1997 Aggregate HMDA Data only.

**Table 8. Borrower Distribution of Home Improvement Loan Originations**

Borrower Distribution: HOME IMPROVEMENT LOANS																State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Improvement Loans				
	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total			
Full-Scope:																			
Not applicable.																			
Limited-Scope:																			

(\*) As a percentage of loans with borrower income information available.

(\*\*) Based on 1997 Aggregate HMDA Data only.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loan Originations**

Borrower Distribution: HOME MORTGAGE REFINANCE LOANS																	State: Minnesota		Evaluation Period: January 1, 1997 to December 31, 1998	
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					Total Home Mortgage Refinance Loans					
	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*	% of Families	% BBNA Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total				
Full-Scope:																				
Polk County AA	20%	4%	20%	7%	25%	28%	35%	61%	2	12%	0%	3%	11%	21%	131	78%				
Limited-Scope:																				
Nonmetropolitan AAs	21%	6%	21%	17%	26%	49%	32%	28%	1	29%	20%	40%	35%	27%	37	22%				

(\*) As a percentage of loans with borrower income information available. Borrower income information was not available for 5% of BBNA loans in the Polk County AA and 5% of BBNA loans in the Nonmetropolitan AAs.  
 (\*\*) Based on 1997 Aggregate HMDA Data only.

**Table 10. Borrower Distribution of Small Business Loan Originations**

Borrower Distribution: SMALL BUSINESS LOANS											
				State: Minnesota			Evaluation Period: January 1, 1997 to December 31, 1998				
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Business Loans		
	% of Businesses*	% BBNA Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$1,000,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Polk County AA	79%	69%	51%	76%	12%	12%	45%	36%	241	80%	\$97
Limited-Scope:											
Nonmetropolitan AAs	73%	81%	35%	73%	19%	8%	42%	61%	59	20%	\$95

(\*) As a percentage of all businesses in the AA. Revenue information was not available for 14% of the businesses in the Polk County AA and 17% of the businesses in the Nonmetropolitan AAs.  
 (\*\*) As a percentage of all BBNA loans. Revenue information was available for 100% of the loans originated by BBNA.  
 (\*\*\*) The market consists of all other Small Business reporters in BBNA's assessment area and is based on 1997 Aggregate Small Business Data only.  
 (\*\*\*\*) Based on 1997 Aggregate Small Business Data only.

**Table 11. Borrower Distribution of Small Farm Loan Originations**

Borrower Distribution: SMALL FARM LOANS											
				State: Minnesota			Evaluation Period: January 1, 1997 to December 31, 1998				
MSA/Assessment Area:	Farms with Revenues of \$1 million or less			Loans by Original Amount Regardless of Farm Size			Market Share****		Total Small Farm Loans		
	% of Farms*	% BBNA Loans**	% Market Loans***	\$100,000 or Less	> \$100,000 to \$250,000	> \$250,000 to \$500,000	All	Rev \$1 million or less	#	% of Total	Avg Loan Size
Full-Scope:											
Polk County AA	92%	96%	91%	81%	15%	4%	83%	84%	1,338	62%	\$63
Limited-Scope:											
Nonmetropolitan AAs	86%	98%	97%	83%	13%	4%	73%	73%	820	38%	\$61

(\*) As a percentage of all farms in the AA. Revenue information was not available for 5% of the farms in the Polk County AA and 5% of the farms in the Nonmetropolitan AAs.  
 (\*\*) As a percentage of all BBNA loans. Revenue information was available for 100% of loans originated by BBNA.  
 (\*\*\*) The market consists of all other Small Farm reporters in BBNA's assessment area and is based on 1997 Aggregate Small Farm Data only.  
 (\*\*\*\*) Based on 1997 Aggregate Small Farm Data only.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS									
			State: Minnesota			Evaluation Period: February 21, 1998 to July 12, 1999			
MSA/Assessment Areas:	Prior Period Investments*			Current Period Investments			Total Investments		
	#	\$ (000's)	%**	#	\$ (000's)	%**	#	\$ (000's)	% of Total \$'s
Full-Scope:									
Polk County AA	0	\$0	0%	39	\$107	100%	39	\$107	55%
Limited-Scope:									
Nonmetropolitan AAs	0	\$0	0%	43	\$88	100%	43	\$88	45%

(\*) "Prior Period Investments" means investments made in a previous evaluation period that remain outstanding.

(\*\*) Percentage of the dollars invested in that MSA/Assessment Area that are prior period investments or current period investments.

**Table 13. Distribution of Branch and ATM Delivery System**

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM														State: Minnesota		Evaluation Period: February 21, 1998 to July 12, 1999			
MSA/Assessment Area:	Deposits	Branches						ATMs						Population					
	% of Total BBNA Deposits	# of BBNA Branches	% of Total BBNA Branches	Location of Branches by Income of Geographies				# of BBNA ATMs	% of Total BBNA ATMs	Location of ATMs by Income of Geographies				% of the Population within Each Geography					
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp		
Full-Scope:																			
Polk County AA	74%	2	50%	n/a	0%	100%	0%	3	75%	n/a	0%	100%	0%	n/a	22%	71%	7%		
Limited-Scope:																			
Nonmetropolitan AAs	26%	2	50%	n/a	0%	100%	n/a	1	25%	n/a	0%	100%	n/a	n/a	13%	87%	n/a		