



Comptroller of the Currency
Administrator of National Banks

Midwestern District
2345 Grand Avenue, Suite 700
Kansas City, Missouri 64108

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

July 24, 1996

**Norwest Bank North Dakota, National Association
Charter Number 2377
406 Main Avenue
Fargo, North Dakota 58126**

<p>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, conclusions, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>
--

GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Norwest Bank North Dakota, National Association, Fargo, North Dakota** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **July 24, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- to moderate-income (LMI) neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

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

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution has an:

- **Outstanding Record of Meeting Community Credit Needs.**

The purpose of CRA is to ensure that financial institutions help meet the credit needs of their local communities. We rated this institution's CRA record as Outstanding because:

- Norwest Bank North Dakota, National Association (Norwest), combined with its mortgage lending affiliate, Norwest Mortgage, Inc. (NMI) are the largest originators of Home Mortgage Disclosure Act (HMDA) reportable loans within the Bismarck market during 1994. Norwest's HMDA lending efforts in the Fargo market are consistent with its presence in the market.
- During 1995, Norwest, combined with the mortgage lending efforts of NMI, was the largest originator of North Dakota Housing Finance Agency first-time home buyer loans in the state of North Dakota.
- In terms of dollar volume, Norwest was the most active Small Business Administration (SBA) lender in North Dakota for the fiscal year ending September 30, 1995.
- The bank actively participates in community development and redevelopment efforts within its communities.

Bank Profile

Norwest is a wholly-owned subsidiary of Norwest Corporation, a multi-bank holding company headquartered in Minneapolis, Minnesota. The bank is a full-service financial institution with retail, commercial, and agricultural lending and services as its primary business focus. In addition to Fargo, Norwest operates in the following communities in North Dakota: Bismarck/Mandan, Bowman/Dickinson/Scranton, Crystal/Grafton, Grand Forks, Hillsboro, Jamestown, Minot, Tower City/Valley City, and Wahpeton. Bank information as of April 30, 1996 shows the largest percentage of deposits come from Fargo/Moorhead - 29%, Bismarck/Mandan - 24%, and Minot - 15%. None of the other locations generate more than 10% of total deposits. Norwest entered the Grand Forks market in May 1995 and the Dickinson/Bowman/Scranton market in July 1995.

The following table displays Norwest's December 31, 1995, market share of deposits:

Norwest Bank North Dakota, National Association

Market	Bismark/ Mandan	Bowman/ Dickinson/ Scranton	Crystal/ Grafton	Fargo/ Moorhead	Grand Forks	Hillsboro	James- town	Minot	Tower City/ Valley City	Wahpeton
Deposit Share	25.3%	20.8%	12.5%	14.3%	0.25%	22.2%	15.4%	20.1%	20.6%	21.3%
Deposit Rank	2nd	3rd	6th	3rd	12th	1st	5th	2nd	5th	3rd

As of December 31, 1995, Norwest had approximately \$1.26 billion in total assets. The bank's loan-to-deposit ratio was 69% with a loan mix of 34% real estate, including 15% 1-4 family residential; 24% commercial; 30% consumer; and 12% agricultural. NMI originates the majority of residential real estate loans in the bank's markets. NMI has at least one loan originator in each of the bank's 10 markets. The NMI lending activity within the bank's delineated community was considered in this Evaluation.

Community Profiles

Norwest's ten markets consist of 13 North Dakota counties and one Minnesota county. Three of the North Dakota counties are located in the following Metropolitan Statistical Areas (MSA) - Bismarck, ND # 1010, Fargo/Moorhead, ND-MN # 2520, and Grand Forks, ND-MN # 2985. The Minnesota county is included in the Fargo/Moorhead MSA. Combined, these areas have a population approximating 477,000. The entire area consists of 133 geographies (census tracts and Block Numbering Areas) with one geography (1%) designated low-income, 18 (14%) moderate-income, 90 (68%) middle -income, and 24 (18%) upper-income. The 1995 Department of Housing and Urban Development (HUD) Median Family Income for this entire area is \$29,898.

The economies of these markets are stable with unemployment approximating 3%. Agriculture, and its related industries, dominates the economies, although there is some diversification in the larger communities. Competition in the larger markets is significant. Common credit needs identified in the communities include affordable housing, including home purchase and home improvement loans, down payment and closing cost assistance, and small business and small farm loans. These needs have been identified by bank management and verified through examiner contact with community organizations. Bank management has also identified a need for credit education within these communities. The following 1995 delineations were used in this Evaluation of the bank's CRA performance:

Fargo-Moorhead

Fargo is the largest city in the state of North Dakota. The Fargo community consists of Cass and Clay Counties. Together, these counties comprise the Fargo/Moorhead, ND-MN MSA # 2520. Based on 1990 Census Data, the population of this two county area approximates 153,000. Minorities represent only 3% of the population. There are 36 census tracts (CTs) within this defined area. Of these, 24 tracts (67%) are designated middle-income, seven (19%) moderate-income, four (11%) upper-income, and one (3%) low-income. The 1995 HUD MSA Median Family Income for the Fargo-Moorhead MSA is \$39,700.

Bismarck-Mandan

Bismarck is the capital of North Dakota and the second largest city in the state. This community consists of Burleigh and Morton Counties and comprises the Bismarck, ND MSA # 1010. This area consists of 18 CTs, with 3 designated moderate-income (17%), 13 (72%) middle-income, and 2 (11%) upper-income. 1990 census data indicates that the population of the area is 81,000, with a 3% minority population. The 1995 HUD Median Family Income for the MSA is \$38,700.

Grand Forks

Grand Forks is the third largest city in the state of North Dakota. This market consists of Grand Forks County in North Dakota, and comprises the North Dakota portion of the Grand Forks, ND-MN MSA # 2985. This area consists of 19 CTs of which four (21%) are designated moderate-income, 12 (63%) middle-income, and three (16%) upper-income. There is a 6% minority population in the MSA. Total 1990 population for the MSA is 71,000. The 1995 HUD MSA Median Family Income is \$34,800.

NonMSA Markets

The remaining markets are not located in an MSA. The nonMSA markets are those counties where the bank has offices. Those include the counties of Bowman, Stark, Pembina, Trail, Stutsman, Walsh, Ward, Barnes, and Richland. Included in this area are 60 block numbering areas (BNAs) of which 4 (7%) are moderate-income, 41 (68%) middle-income, and 15 (25%) upper-income. The 1995 statewide nonMSA Median Family Income for North Dakota is \$32,300.

Reasonableness of Delineated Community

Norwest's delineated communities are reasonable and do not arbitrarily exclude any low- to moderate-income (LMI) areas. Information as of December 31, 1995 shows 80% of the total number of loans and 87% the dollar amount of loans outstanding were to customers residing in the bank's delineated communities. In addition, management reports indicate that 80% of deposit customers reside within the bank's delineated communities.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **Management maintains ongoing, meaningful contact with a wide range of individuals and groups representing various community interests.**

Norwest has developed a process that incorporates surveys, focus groups and direct contact with individuals representing LMI neighborhoods, housing services, small businesses and community development and government agencies. In many instances, bank employees are members of or serve on governing boards and committees of these organizations. This allows the bank to receive ongoing input and feedback on community credit needs. The bank's 1996 Community Reinvestment Act Statement lists these organizations and the nature of the bank's involvement with them.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board of Directors and senior management have developed an effective program to meet the credit needs of the bank's communities.**

The bank uses the Norwest Corporation Community Reinvestment Act Community Marketing Initiative (CMI) planning process. This process provides the framework for determining community credit needs and developing the bank's response to identified community needs. The plan is monitored quarterly, updated annually and incorporates information such as demographic data, ascertainment efforts, marketing strategies, and lending goals. A CMI plan is prepared for each market in order to respond to any special local needs.

II. **MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The Board and senior management have implemented a sound marketing program designed to reach all segments of Norwest's communities.**

Management annually develops a marketing plan designed to promote various products and services throughout the bank's communities. Regional advertising, directed by Norwest corporate marketing staff, focuses on broad base general media activities including television, radio, and major newspapers. Bank-wide direct mail, brochures and product point-of-sale information are also produced.

Managing officers initiate local marketing efforts. Working with the bank's marketing unit, they develop a customized marketing plan designed for their local market which includes local newspapers, direct mail, and participation in community events. This allows each market to tailor its marketing efforts to its community. For example, Norwest has used direct mailings in the Fargo community to market home improvement loans. Norwest also makes extensive use of free, local shopper publications and college newspapers to market its credit products.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **Norwest/NMI has made significant efforts to address the housing, small business, small farm, and consumer credit needs of its communities.**

Norwest/NMI offers a comprehensive array of loan products to meet community credit needs, including loans for housing, consumer, small business and small farm needs. Refer to the bank's 1996 CRA Statement for details regarding loan products.

Norwest/NMI has originated a significant portion of its communities' residential mortgage loans. Based on 1994 aggregate HMDA data for all lenders, Norwest/NMI was the market leader in the Bismarck market with 23% of all HMDA originations. In Fargo, Norwest/NMI ranked third with 11% of all HMDA originations. HMDA data for 1995 indicates an increase in both the number of applications and loan originations in the Fargo and Bismarck markets. Dollar volume, however, has declined. This is the result of increased involvement in home improvement lending. Aggregate 1995 HMDA information is not yet available. In addition, HMDA information is not

available for nonMSA markets.

Norwest/NMI originates a significant majority of its HMDA reportable loans to customers residing within the bank's assessment areas. During 1995, 92% of the bank's 2,162 originations, and 95% of the \$105.1 million in originations, were to customers living within the bank's delineated communities.

Norwest also makes a substantial number of consumer loans to customers residing within its delineated communities. At year end 1995, Norwest had 43,600 consumer loans outstanding for a total of \$235.4 million. Of these, 76% of the number and 74% of the dollar amount were granted to customers living within the bank's assessment areas.

Norwest also actively participates in providing financial assistance to commercial customers within its designated markets. As of year-end 1995, Norwest had 5,532 commercial loans and letters of credit outstanding totaling \$428.0 million. Of these, 84% of the number and 85% of the dollar amount were granted to customers residing within the bank's delineated communities. Norwest does not track small business and small farm loans other than for reporting by loan size as required for its June 30 Consolidated Report of Condition. As of June 30, 1995, approximately 52% of the bank's agricultural loans were in amounts less than \$100,000. In addition, 30% of commercial loans were for amounts less than \$250,000.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **Norwest actively participates in government-related lending programs for small business, housing and small farms.**

Norwest has shown strong support of SBA loan programs, including 7A, 504, and LowDoc. The bank was the most active SBA lender in North Dakota for the fiscal year ending September 30, 1995, extending 21 loans for \$2.7 million. For the last three years, Norwest has been recognized as one of the ten most active SBA lenders in the Fargo market. The Fargo and Dickinson branches are SBA Certified Lenders.

In 1994 and 1995, NMI made a significant number of Federal Housing Authority (FHA) and Veteran's Administration (VA) housing loans in its communities. In 1994, NMI ranked first in government home purchase originations in Bismarck with a 50% market share. In Fargo, NMI ranked sixth with a 9% share. During 1994, NMI originated 208 government home purchase loans totaling \$13.1million in its communities. In 1995, NMI increased its lending efforts by originating 491 FHA/VA home purchase loans totaling \$29.8 million within the bank's defined communities.

Norwest/NMI continues to participate in other government programs for small business, housing and small farms. Norwest/NMI leads other lenders in 1995 originations of North Dakota Housing Finance Agency First Time Homebuyer loans. Norwest/NMI generated 18% of the 1995 First Time Homebuyer loans in both number and dollar volume. Other government program participation by Norwest includes: Rural Economic and Community Development program for guaranteed rural housing loans, Farmer's Home Administration, and Bank of North Dakota.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **Norwest/NMI shows a reasonable distribution of loans throughout its delineated communities, including low- and moderate-income areas.**

In 1994, Norwest/NMI was the market leader for HMDA loan originations in LMI CTs in the Bismarck MSA, originating 22 loans for \$656,000. These figures represent 22% of the number and 23% of the dollar amount originated in LMI CTs. Norwest/NMI was also the market leader in lending to LMI individuals. During 1994, Norwest/NMI originated 133 HMDA reportable loans totaling \$5.8 million to LMI individuals within the MSA. This represents 27% of the number and 32% of the total dollar amount originated to LMI individuals. The latter figures exceed the bank's overall share of the market. Norwest/NMI's market share of total HMDA reportable loans in the MSA was 23% of the number and 22% of the dollar amount. Aggregate market data is not yet available for 1995.

In the Fargo MSA, Norwest/NMI's share of HMDA reportable loans in LMI CTs and to LMI individuals is consistent with its total share of the market. Norwest/NMI was the fourth largest originator of mortgage loans in LMI CTs, with 49 originations totaling \$1.9 million. This represents 12% of the number and 9% of the dollar amount of loans originated in LMI CTs. In terms of LMI individuals, Norwest/NMI originated 70 loans for a total of \$2.5 million. This ranked the bank as the third largest originator with 9% of the number of loans and 8% of the dollar amount. Norwest/NMI was the third largest originator of HMDA reportable loans in the MSA, originating 335 loans for a total of \$24.6 million. This represents 11% of both the total number and dollar amount of loans originated in the MSA during 1994.

Based on bank generated reports of 1995 loan activity, Norwest also shows a reasonable distribution of direct and indirect retail loans throughout all geographies of its delineated communities. In aggregate, 14% of all retail loans (including real estate) originated in the second half of 1995, and 14% of retail loans outstanding on December 31, 1995, were to LMI

individuals. These figures are consistent with the geographic composition of the community (15% of CTs in the combined area are LMI). Management reports also indicate that approximately 12% of all commercial and agricultural loan originations during 1995 were to customers located in LMI CTs.

Managing officers of individual markets perform annual analyses of the distribution of HMDA and retail loan applications and denials for all CTs of their markets. They use this information to develop and refine their CMI plans to address any potential problems with lending distribution.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- **Norwest's offices are reasonably accessible to all segments of the community. Bank management regularly reviews business hours and services to ensure they meet the customers' needs.**

Norwest operates 27 full-service branches and 31 Automated Teller Machine (ATM) locations in the bank's assessment areas. Several of the branches are located in or adjacent to LMI geographies. Certain locations offer trust, investment and insurance services through the bank or affiliated companies. Three ATMs include a Spanish language option. Refer to the Community Profile section and the bank's Fee and Information Schedule for specific information on branch locations and hours.

Service delivery and branch hours are reviewed regularly and expanded or tailored to meet local needs. One of the bank's Fargo branches and one of the Moorhead offices, both conveniently located in grocery stores, offer expanded hours, which include Sundays. The bank also offers 24-hour toll-free phone services for making loan applications and conducting deposit and limited credit transactions.

Since our last examination, Norwest has opened seven new offices and closed one. Four of the new offices are located in communities not previously served by Norwest. These include the Grand Forks and Bowman/Dickinson/Scranton locations. Norwest closed one of the two branches located in Bowman. This did not significantly impact the accessibility of bank services, as one full-service branch remains in the community. The branch closed was not in an LMI area.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set

forth in the institution's CRA Statement(s).

- **We found no practices intended to discourage applicants for any type of credit listed on the bank's CRA Statement.**

The bank solicits applications from all portions of its communities, including LMI areas. Corporate policies set forth basic fair lending requirements. All employees receive regular, comprehensive training on fair lending regulations. The bank has an independent second review program for all potential HMDA reportable denials.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- **The bank is in compliance with substantive provisions of antidiscrimination laws and regulations.**

We did not identify any instances in which the bank denied credit to similarly situated applicants based on the applicant's gender. We performed a comparative analysis of indirect auto loan applications to determine whether applicants with comparable qualifications received similar treatment. The sample included 28 denied female applications and 100 approved male applications originated between January 1, 1995 and October 31, 1995.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **Norwest actively participates in community development and redevelopment programs, providing leadership, technical expertise and financial support.**

The bank often provides technical assistance and financial support to numerous community and economic development organizations throughout its market areas. Some of the organizations which Norwest, its management and staff actively supported during this CRA Evaluation period were: North Dakota Small Business Investment Company, Fargo Chamber Entrepreneur Center, Women's Business Institute, Red River Regional Council, Minot Housing Authority, City of Moorhead Economic Development Authority, Moorhead Public Housing Authority, and West Central Minnesota Initiative Fund.

Norwest, individually and in conjunction with affiliates and other organizations, has regularly provided financing and/or obtained public grant monies to assist individuals in securing affordable housing. Examples of significant efforts include:

- Norwest granted a \$775,000 loan for construction of a 48-unit low-income housing project in Minot.
- Norwest applied for, and was awarded, \$50,000 from the Affordable Housing Program for the Ruth Meiers Hospitality House in Bismarck. These funds were used to add additional low-income rental units.
- In April 1996, Norwest received a \$25,000 award from the Federal Home Loan Bank (FHLB) to be used for down payment and closing cost assistance. The FHLB program criteria requires that the funds be disbursed in maximum grants of \$2,500 per applicant to individuals in nonMSA areas. The success of the initial program nearly exhausted the FHLB monies by July 1996. This prompted Norwest to establish an additional fund for continued down payment and closing cost assistance. The Norwest fund will be disbursed in maximum grants of \$1,250 and will be available to individuals in nonMSA and MSA areas.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **Norwest's efforts to meet community credit needs are consistent with its size and resources.**

Norwest has sufficient resources to meet the credit needs of its communities. The bank also has access to additional resources through its Norwest affiliates, including NMI, Norwest Investment Services, Inc., Norwest Funding, Inc. and Norwest Business Credit, Inc. Norwest has demonstrated its willingness to support the development and implementation of programs and products to meet community growth and redevelopment needs. There are no legal impediments or other factors which limit the bank's efforts.

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bears upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **Norwest has engaged in other meaningful activities which contribute to its efforts to help meet the community's credit needs.**

Norwest and its employees provide ongoing support to community organizations and activities which directly or indirectly address community credit needs. This support includes sponsoring home ownership and small business training sessions in which staff members often participate. Norwest is also active in credit education with programs for individuals of all ages. The bank also provides financial assistance to organizations that support the needs of LMI people.

ADDITIONAL INFORMATION

Examination Profile

The scope of our examination included an analysis of the bank's CRA performance since June 1994, the date of the prior CRA examination. We reviewed information prepared by bank management and obtained through contacts with community groups and government offices.

Home Mortgage Disclosure Act (HMDA)

The bank has offices in three MSAs and is required to gather home loan data to comply with the HMDA. Individuals may obtain this information from the following offices:

Bismarck MSA #1010:

Veterans Memorial Public Library
515 West 5th Street
Bismarck, North Dakota 58501
(701) 222-6410

Grand Forks MSA #2985:

Grand Forks Planning Department
255 N. 4th Street
P.O. Box 5200
Grand Forks, North Dakota 58206
(701) 746-2660

Fargo MSA # 2520:

Fargo Public Library
102 N. 3rd Street
Fargo, ND 58102
(701) 241-1492

The Office of the Comptroller of the Currency (OCC) is the regulatory agency responsible for the supervision of this bank. If you should have comments regarding this bank's performance under the CRA or questions regarding the Act, contact the OCC Midwestern District Office, 2345 Grand Avenue, Suite 700, Kansas City, Missouri 64108.