



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**

February 11, 1997

**Norwest Bank Minnesota North, National Association
Charter Number 3626
230 West Superior Street
Duluth, Minnesota 55802**

<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>
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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Norwest Bank Minnesota North, National Association, Duluth, Minnesota** 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 February 11, 1997. 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 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, Norwest Bank Minnesota North, National Association (Norwest) 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 Outstanding because:

- Norwest, in conjunction with its mortgage lending affiliate, Norwest Mortgage, Inc. (NMI), is the market leader in the origination of real estate-related loans within the combined delineated community. These loans are reportable under the Home Mortgage Disclosure Act (HMDA).
- Norwest and NMI combined (Norwest/NMI) are the market leaders in originating HMDA reportable loans in low- and moderate-income (LMI) census tracts (CTs) and to LMI applicants.
- Norwest actively participates in community development and redevelopment activities by providing needed leadership, technical expertise, and financial support.
- Norwest originates a significant volume of consumer and small business loans.

Although we based our rating primarily on the bank's performance in the MSA it serves, conclusions reached for non-MSA segments of the bank's delineated communities are consistent with the institution's overall CRA rating.

Bank Profile

Norwest is a wholly-owned subsidiary of Norwest Corporation, a multi-bank holding company headquartered in Minneapolis, Minnesota. Norwest Corporation has total assets of \$80 billion as of December 31, 1996.

Norwest operates 13 full-service banking offices in the three northern Minnesota counties of Itasca, Lake, and St. Louis. Norwest is a business and consumer-oriented bank with \$769 million in assets, \$366 million in loans, and \$702 million in deposits as of June 30, 1996. As of the same date, the loan portfolio mix was 43% real estate, 20% commercial, and 37% consumer. In addition, 95% of Norwest's deposits consist of traditional core deposits.

Norwest affiliates provide lending services throughout the bank's delineated communities. NMI originates most of the purchase money and refinance residential real estate loans. Other affiliates provide student loan, credit card, and business financing, as well as trust and investment services.

Community Profiles

Norwest has designated its community delineation as three communities in northern Minnesota - Duluth, Mesabi, and Grand Rapids. This area includes a portion of the Duluth-Superior, MN-WI Metropolitan Statistical Area (MSA). Common credit needs throughout the community consist of housing and non-housing related loans for LMI individuals and loans to small businesses.

Based on 1990 census data, the population of Norwest's combined delineation was approximately 231,500. The community contains 79 CTs and Block Numbering Areas (BNAs), of which 22, or 28%, are designated as LMI. The Department of Housing and Urban Development's (HUD) 1995 Median Family Income for the entire delineated community is \$36,049.

We used the following definitions of Norwest's three markets in this Evaluation of the bank's CRA performance:

Duluth

The Duluth delineated community consists of a portion of St. Louis and Lake Counties, including the cities of Duluth, Two Harbors, Silver Bay, Hermantown, and Proctor. Based on 1990 census data, the population of this area approximates 124,000. Minorities comprise 4% of the population, including approximately 2% Native American, 1% Asian, and 1% Black. The community contains 45 CTs/BNAs, of which 16, or 35%, are designated as LMI. HUD's 1995 Median Family Income for this community is \$36,153.

Mesabi

The Mesabi delineated community consists of an area in St. Louis County which includes the cities of Virginia, Hibbing, Eveleth, Hoyt Lakes, Ely, Chiselm, Mt. Iron, Gilbert, and Winton. Based on 1990 census data, the population of this area was approximately 78,000. Minorities comprise 2% of the population, including 1% Native American. The community contains 28 CTs of which six, or 22%, are designated as LMI. HUD's 1995 MSA Median Family Income for this delineated community is \$36,300.

Grand Rapids

The Grand Rapids delineated community consists of an area in Itasca County within a seven mile radius of Grand Rapids. Based on 1990 census data, the population of this area was approximately 30,000. Minorities comprise 2% of the population, including 1% Native American. The community contains six BNAs, all of which are designated middle-income. HUD's 1995 Median Family Income for non-MSAs of Minnesota is \$34,100.

Reasonableness of Delineated Community

Norwest's delineated communities are reasonable and do not arbitrarily exclude any LMI areas. The delineations include areas surrounding branch locations and contain approximately 98% of the bank's 1995 HMDA loan originations and 77% of its total consumer portfolio of loans and lines of credit. These ratios are based only on those loans for which Norwest determined the location of the associated property or borrower.

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 direct contact with individuals representing housing services, small businesses and community development and government agencies. Often, bank employees are members of, or serve on, governing boards and committees of these organizations. This allows the bank to receive ongoing information on community credit needs. The bank's 1996 Community Reinvestment Act Statement lists the nature of these organizations and 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.**

Norwest uses the 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 those 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 branch 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. Advertising, directed by Norwest corporate marketing staff, focuses on broad-based general media 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 newspapers, direct mail, and participation in community events. This allows each market to tailor its marketing efforts to its community. The bank has also established an effective referral network for marketing its Community Affordable Mortgage Program (CAMP) loan product through personal contact with realtors and community organizations.

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

Norwest Bank Minnesota North, National Association

Norwest offers and originates a comprehensive array of loan products to meet community credit needs. Loan types include loans for housing, consumer, small business, and small farm needs.

Norwest offers flexible real estate credit terms and conditions to LMI individuals through its CAMP. During 1994 and 1995, Norwest extended 49 purchase money CAMP loans totaling \$2.3 million, and 80 loans for \$2.9 million, respectively. For additional historical CAMP lending information, please refer to Norwest's 1994 and 1995 CRA Statements.

As detailed in the following chart, Norwest/NMI have taken a leadership role in lending conventional purchase money, refinance, and home improvement real estate-related loans during both 1994 and 1995 in the MSA it serves:

	1994 HMDA Lending				1995 HMDA Lending			
	Numbers of Loans	Market Share	Dollars of Loans (000s)	Market Share	Numbers of Loans	Market Share	Dollars of Loans (000s)	Market Share
Norwest/NMI	1,128	24%	\$39,466	22%	1,310	27%	\$53,415	27%
Closest Competitor	815	18%	\$37,204	20%	593	12%	\$28,211	14%

Average loan size for Norwest during 1994 and 1995 was \$22,000 and \$23,000, respectively. Average loan size for NMI for 1994 and 1995 was \$74,000 and \$75,000, respectively. During 1995, 69% of all Norwest conventional real estate related loans were extended to applicants living within Norwest's community delineation, based on those loans for which Norwest determined the location of the associated property.

Norwest also originates direct and indirect consumer installment loans and lines of credit. Per year-end 1995 bank-prepared reports, Norwest had outstanding loan and line balances totaling \$148.2 million to persons living within Norwest's delineated communities. This total represents 79% of all consumer loans and lines of credit. These bank-prepared figures include the outstanding balances of home improvement loans, which are included above in the discussion of HMDA lending. During fiscal year 1995, Norwest originated 7,465 new direct and indirect non-real estate related consumer installment loans and lines of credit totaling \$60.4 million.

Norwest also makes loans to small businesses and small farms. Norwest tracks small business and small farm originations by using the Consolidated Report of Condition definitions. As of June 30, 1996, Report of Condition information showed that Norwest had \$77.9 million outstanding, or 1,372 loans, to small businesses and \$766,000, or 13 loans, to small farms. By number, 70% of the small business and small farm loans were originated in amounts less than

\$100,000. Currently, the bank does not have a method to determine what portion of these loans have been extended to applicants within Norwest's community delineation.

Norwest Bank South Dakota, National Association extends conventional student loans on behalf of Norwest. No annual fee student credit cards are offered to Norwest applicants through Norwest Bank Iowa, National Association.

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 and housing.**

NMI is a market leader in originating government-related real estate loans. During 1995, NMI originated \$11.1 million, or 205 loans, to applicants living within Norwest's community delineation. This volume represents 27% of the total market by number of loans and 31% by dollar volume. The closest competitor held 18% of the market share by number of loans and 20% by dollar volume. As a leader in 1994, NMI originated \$9.6 million or 177 loans to applicants living within Norwest's community delineation. The above government-related real estate loan programs include those sponsored by the Federal Housing Authority (FHA), the Department of Veteran's Affairs (VA), and the Farmers Home Administration (FMHA) for purchase money and refinance purposes.

Although Norwest does not actively participate in Federally sponsored home improvement programs, they do originate loans through the Minnesota Housing Finance Agency's (MHFA) energy and home improvement lending program. During 1995, Norwest originated eight loans totaling \$98,600. This is an increase over 1994 lending of five loans totaling \$17,568.

In addition to traditional business banking, Norwest is an active Small Business Administration (SBA) lender. Norwest is an SBA-designated Preferred Lender. The following table details lending volume for 1995 and for the first 10 months of 1996. Norwest did not offer SBA loans prior to 1995.

1995 SBA Lending			1996 SBA Lending	
	Numbers	Dollars (000s)	Numbers	Dollars (000s)
504 Program	0	\$0	0	\$0
7(a) Program	2	\$230	8	\$2,153
LowDoc Program	8	\$609	7	\$480
Total	10	\$839	15	\$2,633

Norwest Bank South Dakota, National Association continues to originate student loans through the government guaranteed Stanford loan program on behalf of Norwest.

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 good distribution of loans within and throughout its delineated communities, including LMI areas.**

As demonstrated in the following chart, Norwest/NMI is a market leader in originating HMDA loans in LMI CTs in the Duluth MSA.

Lending to LMI CTs

1994 HMDA Lending					1995 HMDA Lending			
	Number of Loans	Market Share	Dollar of Loans (000s)	Market Share	Number of Loans	Market Share	Dollar of Loans (000s)	Market Share
Norwest/NMI	203	26%	\$7,374	29%	196	24%	\$6,085	22%
Closest Competitor	117	15%	\$4,032	16%	107	13%	\$3,683	14%

Likewise, in both 1994 and 1995, Norwest/NMI was the market leader in loan originations to LMI borrowers in the Duluth MSA. This is detailed as follows:

Lending to LMI Applicants

1994 HMDA Lending					1995 HMDA Lending			
	Number of Loans	Market Share	Dollar of Loans (000s)	Market Share	Number of Loans	Market Share	Dollar of Loans (000s)	Market Share
Norwest/NMI	343	23%	\$9,077	21%	361	25%	\$11,246	27%
Closest Competitor	233	16%	\$7,569	17%	190	13%	\$6,443	15%

As explained in the following chart, Norwest and NMI lending to LMI individuals is commensurate with other income groups:

HMDA Lending as % of Total Number of Loan Originations

Income Level of Applicant	NMI Lending				Norwest Lending			
	1994 Lending Volume	1994 Lending Percent	1995 Lending Volume	1995 Lending Percent	1994 Lending Volume	1994 Lending Percent	1995 Lending Volume	1995 Lending Percent
LMI	118	26%	174	27%	225	26%	187	21%
Middle Income	130	29%	200	30%	233	27%	250	39%
Upper Income	181	40%	277	42%	348	41%	392	46%
Income Not Avail.	24	5%	2	1%	48	6%	33	4%

Middle Income represents applicants with income 80% - 120% of median income.

Upper Income represents applicants with income greater than 120% of median income.

In addition to HMDA data, bank generated reports of all other direct and indirect loans and lines of credit originated in 1995 show a reasonable distribution of lending originations throughout Norwest's delineated communities. During 1995, 16% of all non-HMDA consumer loans and lines of credit were extended to borrowers living in LMI CTs/BNAs. This is commensurate with the number of deposit accounts (7%) opened by customers living in LMI CTs/BNAs.

Norwest originates a significant portion of its loans within its communities. Based on 1995 HMDA information, Norwest originated 98% of its HMDA reportable loans within the bank's delineated communities. According to bank reports, 77% of all outstanding direct and indirect consumer loans and lines of credit originated within Norwest's delineated communities. Those ratios are based only on those loans for which Norwest determined the location of the associated property or borrower.

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

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

As of December 31, 1995, Norwest operated 13 full service banking offices throughout its delineated communities. Four, or 31%, of the branches are in LMI geographies. Certain locations offer trust, investment, and insurance services through the bank or affiliated companies.

Market managers regularly review service delivery and branch hours to ensure hours meet local needs. The bank also offers 24-hour toll-free phone service for conducting deposit transactions, making limited credit transactions, and receiving account information. Refer to the Norwest Location Guide for specific information on branch locations and hours.

During 1995, Norwest opened one branch office in a grocery store in Duluth. This branch is located in a middle-income census tract.

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 loan-related 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 meets the substantive provisions of antidiscrimination laws and regulations.**

We did not identify any instances in which Norwest 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 112 approved male applications originated between November 1, 1995 and October 31, 1996. The applications were from this bank, as well as three other affiliated banks, and were evaluated by underwriters at a single underwriting center.

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 throughout its communities.**

Examples of community development and redevelopment involvement by Norwest include:

- In 1995, Norwest provided \$250,000 of permanent financing to the Occupational Development Corporation for the purchase and remodeling of a training facility in Hibbing for vocational handicapped adults in need of vocational development activities necessary to enhance their quality of life.
- During 1994, Norwest invested \$980,000 in the New Apollo Apartments, Limited Partnership for the rehabilitation of the Francis B. Skinner Apartment Building. This project was a 32-unit low-income housing project in downtown Duluth.
- Norwest, in partnership with First Bank Duluth and Pioneer National Bank of Duluth, formed the Duluth Development Loan Program in 1995. This program is designed to help more prospective or expansion-minded employers get started in Duluth. This program provided \$2 million of loans in 1995.

- In 1995, Norwest participated in the City of Duluth Renaissance Fund which was a revitalization program for the downtown and Canal Park areas, and the 1200 Fund which was an economic development program within the city of Duluth used to retain or attract new businesses and create new jobs.
- During 1995, Norwest provided funding to the Lutheran Social Services (LSS) to help low-income individuals boost their employment potential. This Fund provides financing to families striving for increased self-sufficiency and who unable to qualify for other financing. This marked the fifth year of this partnership between Norwest and LSS.

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. No other legal impediments or factors limit the bank's efforts.

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bear 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 that contribute to its efforts to help meet the credit needs of its communities.**

Such activities have included sponsoring home ownership and small business training sessions in which Norwest staff members often participate. The bank also provides financial assistance to organizations that support the needs of LMI people.

ADDITIONAL INFORMATION

Examination Profile

The scope of our examination primarily consisted of an analysis of the bank's 1994 and 1995 CRA performance. We also considered more recent information on a case-by-case basis. We reviewed information prepared by bank management and obtained through contacts with community groups and government offices.

Home Mortgage Disclosure Act

Federal law requires Norwest to gather home loan data for the MSA Norwest serves. Individuals may obtain this information from the following offices:

Duluth-Superior, MN-WI # 2240:

Kristine Aho
Duluth Public Library
520 W. Superior Street
Duluth, MN 55802
(218)723-3807
(507)287-2110 (fax)

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.