

## **Public Disclosure**

January 3, 2000

# **Community Reinvestment Act Performance Evaluation**

**Community First National Bank - North Dakota  
Charter Number: 5087**

**520 Main Avenue  
Fargo, North Dakota 58102-0001**

**Office of the Comptroller of the Currency**

**Southwestern District  
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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

<b>General Information</b> .....	1
<b>Definitions and Common Abbreviations</b> .....	2
<b>Overall CRA Rating</b> .....	5
<b>Description of Institution</b> .....	6
<b>Description of Assessment Areas</b> .....	7
<b>Scope of Evaluation</b> .....	9
<b>Fair Lending Review</b> .....	10
<b>Conclusions with Respect to Performance Tests</b>	
Lending Test .....	11
Investment Test .....	14
Service Test.....	15
<b>Appendix A: Scope of Evaluation</b> .....	A-1
<b>Appendix B: Tables of Performance Data</b> .....	B-1

## 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 **Community First National Bank - North Dakota** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of January 3, 2000. 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 CFR 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 CFR 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 refinancing 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 "**Outstanding.**"

The following table indicates the performance level of **Community First National Bank - North Dakota (CFNB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	Community First National Bank - North Dakota Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory		X	X
Low Satisfactory			
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:

- y CFNB has done an excellent job of responding to the credit needs of its community, as evidenced by the high level of residential, small business, small farm and community development loans. The bank's small business lending in the Non-MSA AAs was especially strong.
- y A strength in CFNB's performance was its distribution of loans by geography and borrower income. The bank was particularly successful at penetrating moderate-income CTs.
- y CFNB management demonstrated leadership by working with other affiliates to start a Community Development Corporation to address unmet investment needs in the AA.
- y CFNB generated an excellent level of community development loans, particularly in its Non-MSA AAs. The bank generated \$7 million in community development loans during this evaluation period.
- y Retail delivery systems are accessible to geographies and individuals of

different income levels. CFNB has a strong branch presence in moderate-income CTs.

## **Description of Institution**

Community First National Bank - North Dakota (CFNB), headquartered in Fargo, North Dakota, is a wholly owned subsidiary of Community First Bancshares (CFBX). CFBX is a \$6.3 billion multi-bank holding company headquartered in Fargo, North Dakota. The company has 12 commercial banks with 157 offices throughout North Dakota, South Dakota, Minnesota, Wisconsin, Iowa, Nebraska, Colorado, Wyoming, Arizona, Utah, New Mexico, and California. CFBX subsidiary companies provide trust and insurance services. In October 1999, CFBX acquired Valley National Corporation with six banking locations in San Diego, California.

CFNB is an intrastate bank and its primary focus is traditional retail and commercial products. There are no financial or legal impediments to the bank's CRA performance. As of December 31, 1999, CFNB reported total assets of \$593 million, making it one of the largest banks in North Dakota. CFNB's net loans were \$378 million and included real estate loans \$156 million, commercial loans \$94 million, consumer loans \$106 million, and agricultural loans \$22 million. Its Tier 1 capital was \$42 million.

The bank operates in six markets located throughout North Dakota including Fargo/Moorhead, Wahpeton, Dickinson, Lidgerwood, Cooperstown, and Beach. The Fargo/Moorhead economy is strong with both commercial and residential real estate lending. The other offices are located in rural economies with various types of agriculture production and processing being the predominant industry.

CFNB received a "Satisfactory" rating at its June 30, 1997 CRA examination.



## Fargo/Moorhead Assessment Area

Demographic Information for Full-Scope Area: Fargo/Moorhead MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	36	2.78	19.44	66.67	11.11	0.00
Population by Geography	153,296	2.03	17.01	65.99	14.96	0.00
Owner-Occupied Housing by Geography	34,021	0.08	12.14	70.87	16.92	0.00
Businesses by Geography	7,284	0.19	41.69	45.55	12.56	0.00
Farms by Geography	950	0.00	5.79	88.21	6.00	0.00
Family Distribution by Income Level	37,506	17.66	18.16	26.38	37.81	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	13,432	2.32	21.98	68.04	7.67	0.00
Median Family Income HUD Adjusted Median Family Income for 1998 Households Below the Poverty Level	= \$33,819 = \$47,700 = 14.19%	Median Housing Value Unemployment Rate				= \$64,288 = 3.26%

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census and 1998 HUD updated MFI.

The Fargo-Moorhead, North Dakota-Minnesota MSA #2520 consists of Cass County in North Dakota and Clay County in Minnesota. This AA includes all CTs in the MSA and is unchanged from CFNB’s prior CRA examination. The bank has four branches and eight ATMs located in the AA. The AA meets the requirements of the CRA and does not exclude any LMI geographies.

The area’s economy is strong. It is an important retail, financial, education, health care, services, wholesale, transportation and agricultural marketing center. The largest employers are health care services, educational providers, and manufacturing.

CFNB faces strong competition from Norwest Bank North Dakota, N.A., U.S. Bank, N.A., State Bank of Fargo, First National Bank of North Dakota, and Gate City Federal Savings Bank. As of June 30, 1999, these institutions and their affiliates held 71 percent of the AA’s deposits compared to 11 percent for CFNB.

In addition to conducting two community contacts, we reviewed information from two prior community contacts in Fargo to better understand the credit, investment, and service needs within the AA. These included groups which focus on housing and economic development as well as, business/trade groups, and government

agencies. Funding for affordable LMI housing and small business financing were most often mentioned as primary credit needs. Specifically, start-up capital for new businesses, funding for retail expansion and mixed-use commercial real estate property were listed as immediate needs. Opportunities for investment include funding for additional LMI housing, economic development and job creation.

## **Non-MSA Assessment Areas**

The bank has three Non-MSA AAs, consisting of Billings, Golden Valley, and Stark Counties in Southwestern North Dakota; Griggs County in East Central North Dakota; and Richland County in Southeastern North Dakota. CFNB has eight branches and ten ATM's located in the towns of Beach, Cooperstown, Binford, Dickinson, Hankinson, Lidgerwood, Wahpeton and Medora. Because these communities are relatively homogeneous, we have combined the data from these areas to assess the bank's performance.

On a combined basis, the area includes 19 BNAs (15 middle-income, 4 upper-income) and a total population of 47,499. The updated statewide Non-MSA median family income is \$36,900, unemployed labor is 2.35 percent, and 15.3 percent of residents live below the poverty level. There are 12,325 families residing in this area, of which, 17 percent are low-income and 17 percent moderate-income.

Agriculture is the predominant industry in these communities. However, Dickinson and Wahpeton's economy is slightly more diversified with light manufacturing, primarily in agriculture and oil related businesses. Both Dickinson and Wahpeton are retail centers in their respective counties. The Wahpeton area was severely impacted by the 1997 Red River Valley flood and is still rebounding from that event.

CFNB's competition comes from independently owned banks, credit unions, and Farm Credit Services. A regional bank, Norwest Bank North Dakota, N.A., is a dominant competitor in the Wahpeton area. On average, CFNB has a 41 percent deposit market share within its Non-MSA AA.

We reviewed information from three prior community contacts located in the Non-MSA AAs. We also contacted a community organization that serves the cities of Dickenson, Beach, and Medora. These contacts represent rural and economic development groups, and a local Chamber of Commerce.

Community contacts indicated that there is a need for affordable housing, start-up

funds for new businesses, retail expansion, and loans for renovation/revitalization of small businesses. Community contacts in Wahpeton and Dickenson indicated that CFNB is very active in local economic development projects.

## Scope of the Evaluation

This evaluation followed the Interagency CRA Examination Procedures for Large Retail Institutions. These procedures evaluate CRA performance using the Lending, Investment, and Service Test. We relied heavily on relevant demographic information for our analysis. For example, we compared the geographic and borrower distribution of CFNB's residential loans with the distribution of owner-occupied housing and family income. Our evaluation covered activities generated between January 1, 1997 and June 30, 1999. The bank's last CRA examination was completed under the twelve-assessment factor method. Information from January 1, 1997 to the date of the last PE was not included in the prior review.

We selected the Fargo/Moorhead MSA AA area for full-scope review and used limited-scope procedures for the Non-MSA AAs. We considered several factors in making this decision, including population size, income diversity among borrowers and geographies, and CFNB's overall market presence as reflected by its lending and deposit activity. The Fargo/Moorhead MSA holds 76 percent of the combined AA population, 65 percent of the dollar volume for reported loans, and 51 percent of the bank's deposits. Also, this is the only CFNB AA containing LMI geographies.

The bank's overall CRA rating is based primarily on the full-scope review of the Fargo/Moorhead MSA. While CFNB's performance in the Non-MSA AA was factored into the overall rating, it received less weight.

Examiners reviewed CFNB's data collection practices and sampled loans to test the accuracy of publicly reported loan data. We found inaccuracies in small business and residential real estate loan data. However, CFNB's management corrected the errors and this evaluation is based on accurate data.

## **Fair Lending Review**

We did not detect any discriminatory underwriting practices. The bank's policies, internal controls and training ensure ongoing compliance with fair lending laws. We examined for compliance with the Equal Credit Opportunity Act and the Fair Housing Act during this CRA examination. We reviewed the bank's policies and procedures and conducted testing to identify areas of noncompliance. Our test included a comparative file review of conventional home purchase loans originating during the twelve-month period ended June 30, 1999. We focused on the bank's underwriting practices between male and female borrowers.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

##### Lending Activity

The bank's lending volume reflects an excellent response to community credit needs and is consistent with its business focus. CFNB is a major small business lender originating 609 small business loans totaling \$86.7 million. While the bank ranks number four in deposit market share with 11 percent, it ranked third in overall market share for small business loans with 10 percent. CFNB provided 788 residential real estate loans totaling \$68.5 million and ranked second in market share. The bank originated 86 percent of its residential real estate loans and 75 percent of its small business and small farm loans within its combined AA. The bank also provided a substantial volume of community development loans (\$716,000) that helped support the more pressing credit needs of LMI persons.

The small farm lending activity represents only two percent of the number and one percent of the dollars for total reported loans in this AA. Consequently, we did not include these loans in our analysis of the bank's performance in the Fargo MSA. However, small farm loans are a major loan product in the bank's Non-MSA AAs and was included in our analysis of CFNB's performance in the limited scope AAs. See Table 1 in the Appendix section for facts and data used to evaluate the bank's lending activity.

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

**Home Mortgage Loans:** The bank's geographic dispersion of home purchase loans was excellent. The AA contains just one low-income CT and it holds less than one percent of the AA's owner-occupied housing units. As a result, we focused on the bank's penetration in moderate-income CTs. The bank's percentage of loans in moderate-income CTs was greater than the percentage of owner-occupied housing units in those areas. Additionally, CFNB's market share for moderate-income loans of 6.7 percent compared favorably with its overall market share of 6.8 percent.

See the Appendix section for facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

**Small Business Lending:** CFNB's geographic distribution of small business loans

shows an excellent penetration throughout the AA. Penetration in moderate-income geographies is excellent with 57 percent of the bank's loans made in these areas compared to 42 percent of small businesses being located in these areas. Also, the bank's market share in moderate-income CTs (9.1 percent) compared favorably with its overall market share of 9.9 percent. See the Appendix section for facts and data used to evaluate the geographic distribution of small business loans.

Also, our analysis of the geographic dispersion of the bank's residential, small business, and small farm loans indicates there are no conspicuous gaps in the geographic distribution of the bank's loans. This further demonstrates that CFNB did an excellent job of penetrating its AA and ensuring that no areas were underserved.

See Tables 2 through 5 in the Appendix for facts and data used to evaluate the geographic distribution of residential and small business loans.

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

**Home Mortgage Loans:** Overall, CFNB achieved a good borrower distribution of residential loans. The bank's home purchase lending to moderate-income borrowers exceeded the percentage of moderate-income families by a substantial margin. The bank's 6 percent market share for moderate-income borrowers was consistent with its overall market share of 6 percent. Its lending to low-income families was less than market demographics.

**Small Business Loans:** The distribution of small business loans is good. The bank made 67 percent of its small business loans to firms with revenues of \$1 million or less. This was proportionate to the level of businesses in that range and significantly exceeded that of other lenders. In addition, 82 percent of CFNB's small business loans were less than \$250 thousand in size. Because loan size is often an indicator of the relative size of the business, this is also a favorable indication that the bank is working with smaller businesses.

See Tables 7 through 10 in the Appendix for facts and data used to evaluate the borrower distribution of the bank's residential and small business loans.

### **Community Development Lending**

In addition to residential real estate and small business loans, CFNB provided two loans totaling \$716 thousand for community development projects in the AA. Each loan was used to fund the construction of affordable housing for LMI persons.

## **Product Innovation and Flexibility**

CFNB offers a number of loan products with flexible features to meet AA credit needs. Its most successful product is a state-sponsored loan program that targets LMI first-time home buyers. Among other features, these products have lower down payment requirements and include zero percent second mortgage loans to cover closing cost. During 1997 and 1998, CFNB originated 143 first-time homebuyer loans totaling \$11 million. These loans are already included in the totals for home mortgage loans.

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

Based on limited-scope reviews, the bank's performance under the Lending Test in the Non-MSA AAs is stronger than its overall performance. Particularly noteworthy is the bank's origination of community development loans in response to the credit needs of LMI persons living on Native American reservations. Additionally, the bank's success at originating small business, small farm and home purchase loans by borrower income is also excellent.

The most impressive part of CFNB's lending performance is its excellent volume of community development loans. The bank originated community development loans totaling \$5 million to a Native American tribal government. These loans were highly responsive to various needs. Those needs include providing new housing units, home rehabilitation, health care services, child care services, as well as jobs and economic development for LMI persons living on the reservation. Examples include:

- \$3 million to fund various support programs for LMI residents including income subsidy payments, rent subsidies, home repair, free medical care and child care services.
- \$1.1 million to purchase land and expand farming operations. The expansion allowed the tribe to provide additional jobs to LMI residents.
- \$531,000 to purchase multifamily housing structures from a closed U.S. Air Force base. The structures were transported to the reservation and used to house LMI residents.

Although the reservation is outside the bank's AA, its economic development and revitalization is vital to the overall success of region's economy. The reservation



is located in Western North Dakota and covers over 981,000 acres. The reservation is located in portions of six counties and has a population of 4,475 persons. The reservation is approximately 50 miles from CFNB's Dickinson AA. Several of the counties are immediately adjacent to this AA.

According to a Bureau of Indian Affairs report, the unemployment rate for persons over age sixteen was 47 percent. In addition, 42 percent of working adults had annual incomes of less than \$7,000.

CFNB also provided four loans totaling \$1.4 million to develop 42 units of affordable LMI housing in Dickinson, North Dakota which is located in the bank's AA.

The borrower distribution of CFNB's home purchase, small business, and small farm loans is excellent. CFNB's lending to LMI borrowers and very small businesses and farms equaled or exceeded comparative demographic data. Particularly noteworthy, the bank's percentage of loans to small businesses with revenues under \$1 million substantially exceeded business demographics and the combined performance of other lenders.

Because the AA does not contain any LMI geographies, we could not conclude on the geographic distribution of CFNB's lending.

See the Appendix for the facts and data that support these conclusions.

## **INVESTMENT TEST**

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

CFNB's performance under the Investment Test is good and is rated "High

CFNB originated \$1.6 million in qualified community development investments during the evaluation period. The primary investment consist of a \$1.35 million equity investment in the CFB Community Development Corporation (CDC), a multi-bank CDC established during 1999. The CDC was formed by CFNB management along with managers from the affiliate banks with a combined equity investment of \$15 million. The objective was to pool the financial resources and expertise of each institution to more effectively meet the community development needs of each AA. The size of CFNB's investment is significant, representing 3 percent of the bank's Tier 1 capital. Although the CDC has not yet made any major investments within CFNB's AA, several proposed projects are being reviewed.

The bank provided \$200 thousand in charitable donations in support of local flood relief efforts. The funds were used to provide critical services to LMI residents, including repairing damaged homes, counseling and other support services to flood victims. The bank also invested \$70 thousand in an affordable LMI housing project in Fargo.

The bank's volume of investments is good based on the limited number of opportunities in the AA. The AA did not have a Community Development Corporation (CDC), Small Business Investment Corporations (SBICs), or other highly organized community development financial investment opportunities. Generally, the AA's community development needs are being addressed with loans for LMI housing and small businesses.

See Table 12 in the Appendix for facts and data used to evaluate the bank's level of qualified investments.

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

Based on limited-scope reviews, the bank's performance under the Investment Test in the Non-MSA AAs is not inconsistent with the bank's overall "High Satisfactory" performance under the Investment Test.

## **SERVICE TEST**

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

The bank's performance under the Service Test is rated "High Satisfactory." The bank's retail banking services are accessible to geographies and individuals of different income levels in the assessment area. The level of community development activities and services is adequate.

### **Retail Banking Services**

The physical distribution of CFNB's branches in moderate-income CTs substantially exceeds the percentage of the population in those CTs. Two of four branches and four of eight ATMs are located in moderate-income CTs. This is particularly noteworthy considering these tracts account for only 17 percent of the MSA's total population, but they contain 44 percent of the AA's LMI families.

There are no branches or ATMs in the AA's one low-income CT. However, this tract is sparsely populated and accounts for only 2 percent of the AA's population.

CFNB provides reasonable hours and services at all branch locations. Bank lobby hours are generally 9:00 a.m. to 4:00 or 5:00 p.m. Some locations provide expanded hours including evenings, Saturdays, and Sundays. These differences, however, do not have a material impact on the bank's ability to serve LMI individuals.

The bank's record of opening and closing offices and ATMs has had no impact on LMI geographies. Since our previous CRA examination, the bank opened a branch in an upper-income CT. Although 1990 census data indicates that upper-income CTs contain 15 percent of the MSA's population, this data does not reflect recent growth. Since 1990, South Fargo has experienced significant growth and the new branch serves this market.

Alternative delivery systems include 24-hour telephone banking, which allows customers to obtain deposits and loan information. Because the bank does not maintain information on its impact on LMI individuals, we were unable to conclude on its significance. Also, the bank has an agreement with Norwest Bank that allows CFNB customers free use of Norwest owned ATMs.

The bank offers an array of products and services that are consistent with its size, resources, and overall business strategy. Loan products include commercial agricultural, residential real estate and consumer loans.

See Table 13 in the Appendix for the facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

### **Community Development Services**

CFNB provides an adequate level community development services. Bank staff provide financial expertise to organizations serving the needs of the small businesses and LMI individuals.

Bank personnel participate in the Village Homebuyers Education Program which conducts homebuyer seminars for LMI residents. Programs discussed include conventional financing as well as programs for minimum down payments and LMI applicants. In addition, bank personnel are active in programs and organizations that assist primarily LMI residents including food pantrys, organizations for homeless children, Salvation Army, United Way, and day care providers.

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

Based on limited-scope reviews, the bank's performance under the Service Test in the Non-MSA AAs is not inconsistent with the bank's overall High Satisfactory performance under the Service Test. See the Appendix for facts and data that support these conclusions.

## 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 June 30, 1999 Investment Test: January 1, 1997 to June 30, 1999 Service Test: January 1, 1997 to June 30, 1999	
<b>Financial Institution</b>		<b>Products Reviewed</b>
Community First National Bank - North Dakota Fargo, North Dakota		Residential Real Estate Loans, Small Business Loans, Small Farm Loans, Community Development Loans
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Community First Bankshares, inc.	Parent Company	Qualified Investments through the CDC
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Fargo/Moorhead ND-MN MSA #2520	Full-Scope	
Non-MSA Areas	Limited-Scope	

## Appendix B: Tables of Performance Data

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### Content of Standardized Tables

References to the  $\Delta$  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/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased 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 Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased 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 Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased 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 Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased 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 Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased 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 compares the banks percentage distribution with the percentage of loans originated and purchased by all other small business reporters in the bank's AA to businesses with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased 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 Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased 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 compares the banks percentage distribution with the percentage of loans originated and purchased by all other small farm reporters in the bank's AA to farms with revenues of \$1 million or less and is based on the most recent aggregate market data available. In addition, the table presents the percentage distribution of the number of loans originated and purchased 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/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must have been reported on schedule RC-L of the Call Reports as an off-balance sheet item.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings** - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.



**Table 1. Lending Volume**

LENDING VOLUME												
State: North Dakota												
Evaluation Period: January 1, 1997 to June 30, 1999												
MSA/Assessment Area:	% of Rated Area Deposits in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development		Total Reported Loans		% of Rated Area Loans (#) in MSA/AA
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Scope:												
Fargo/Moorhead MSA	51.34	788	68,474	609	86,715	36	1,818	2	716	1,435	157,723	42.47
Limited-Scope:												
Non-MSA Areas	48.66	440	17,708	624	28,894	871	32,272	9	6,309	1,944	85,183	57.53

\* Deposit data as of June 30, 1999.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE																State: North Dakota		Evaluation Period: January 1, 1997 to June 30, 1999	
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	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
Fargo/Moorhead MSA	0.00	0.00	12.00	13.00	71.00	53.00	17.00	34.00	5	6.80	0.00	6.70	6.80	6.80	460	72.67			
Limited-Scope:																			
Non-MSA Areas	0.00	0.00	0.00	0.00	79.00	79.00	21.00	21.00	1	18.64	0.00	0.00	27.50	16.80	173	27.33			

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT																State: North Dakota		Evaluation Period: January 1, 1997 to June 30, 1999	
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	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
Fargo/Moorhead MSA	0.00	0.00	12.00	8.00	71.00	64.00	17.00	28.00	13	1.70	0.00	0.00	1.50	3.20	50	35.97			
Limited-Scope:																			
Non-MSA Areas	0.00	0.00	0.00	0.00	79.00	55.00	21.00	45.00	3	18.20	0.00	0.00	16.10	23.80	89	64.03			

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE																State: North Dakota		Evaluation Period: January 1, 1997 to June 30, 1999	
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	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans	% Owner Occ Units	% CFNB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
Fargo/Moorhead MSA	0.00	0.00	12.00	11.00	71.00	52.00	17.00	37.00	9	4.70	0.00	5.80	4.10	5.30	268	60.36			
Limited-Scope:																			
Non-MSA Areas	0.00	0.00	0.00	0.00	79.00	78.00	21.00	22.00	3	15.20	0.00	0.00	17.50	10.20	176	39.64			

(\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES																State: North Dakota		Evaluation Period: January 1, 1997 to June 30, 1999	
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	% CFNB Loans	% of Businesses	% CFNB Loans	% of Businesses	% CFNB Loans	% of Businesses	% CFNB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
Fargo/Moorhead MSA	0.00	0.00	42.00	57.00	46.00	27.00	13.00	16.00	3	9.90	0.00	9.10	5.10	11.80	609	49.39			
Limited-Scope:																			
Non-MSA Areas	0.00	0.00	0.00	0.00	80.00	84.00	20.00	16.00	1	45.70	0.00	0.00	33.30	31.80	624	50.61			

(\*) Based on 1998 Aggregate Small Business Data only. Market rank is for all income categories combined.

(\*\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS																State: North Dakota		Evaluation Period: January 1, 1997 to June 30, 1999	
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	% CFNB Loans	% of Farms	% CFNB Loans	% of Farms	% CFNB Loans	% of Farms	% CFNB Loans		Overall	Low	Mod	Mid	Upp	#	% of Total**			
Full-Scope:																			
Fargo/Moorhead MSA	0.00	0.00	6.00	11.00	88.00	64.00	6.00	25.00	7	2.60	0.00	3.40	2.20	18.00	36	3.97			
Limited-Scope:																			
Non-MSA Areas	0.00	0.00	0.00	0.00	72.00	87.00	28.00	13.00	1	41.90	0.00	0.00	42.00	30.50	871	96.03			

(\*) Based on 1998 Aggregate Small Farm Data only. Market rank is for all income categories combined.

(\*\*) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE																
State: North Dakota																
Evaluation Period: January 1, 1997 to June 30, 1999																
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	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total***
Full-Scope:																
Fargo/Moorhead MSA	18.00	6.00	18.00	27.00	24.00	30.00	38.00	33.00	5	6.80	5.30	6.70	8.30	8.10	460	72.67
Limited-Scope:																
Non-MSA Areas	17.00	16.76	17.00	28.91	24.00	34.68	43.00	19.65	1	16.73	58.30	49.30	24.50	3.37	173	27.33

(\*) As a percentage of loans with borrower income information available. Information was available for 100% of loans originated and purchased by the bank.

(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*\*) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.



**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT																
State: North Dakota										Evaluation Period: January 1, 1997 to June 30, 1999						
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	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*		Overall	Low	Mod	Mid	Upp	#	% of Total**
Full-Scope:																
Fargo/Moorhead MSA	18.00	6.00	18.00	14.00	26.00	32.00	38.00	44.00	13	1.70	0.00	0.00	2.20	0.00	50	35.97
Limited-Scope:																
Non-MSA Areas	17.00	6.00	17.00	17.00	24.00	31.00	43.00	46.00	3	18.20	33.30	33.30	20.00	12.70	89	64.03

(\*) As a percentage of loans with borrower income information available. Information was available for 100% of loans originated and purchased by the bank.

(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*\*) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE				State: North Dakota				Evaluation Period: January 1, 1997 to June 30, 1999				Total Home Mortgage Refinance Loans				
MSA/Assessment Area:	Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall Market Rank*	Market Share by Borrower Income**					#	% of Total***
	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*	% of Families	% CFNB Loans*		Overall	Low	Mod	Mid	Upp		
Full-Scope:																
Fargo/Moorhead MSA	18.00	1.00	18.00	12.00	26.00	21.00	38.00	57.00	9	4.70	1.50	5.70	3.70	6.90	268	60.36
Limited-Scope:																
Non-MSA Areas	17.00	6.00	17.00	16.00	24.00	30.00	43.00	48.00	3	15.20	33.30	27.80	20.30	14.80	176	39.64

(\*) As a percentage of loans with borrower income information available. Information was available for 100% of loans originated and purchased by the bank.

(\*\*) Based on 1998 Aggregate HMDA Data only. Market rank is for all income categories combined.

(\*\*) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES										
			State: North Dakota			Evaluation Period: January 1, 1997 to June 30, 1999				
MSA/Assessment Area:	Businesses with Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size			Market Share****		Total Small Loans to Businesses	
	% of Businesses*	% CFNB 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*****
Full-Scope:										
Fargo/Moorhead MSA	69.98	66.83	55.08	64.36	17.41	18.23	9.90	15.20	410	42.01
Limited-Scope:										
Non-MSA Areas	73.21	90.71	42.67	91.03	5.61	3.36	45.72	51.50	566	57.99

(\*) Businesses with revenues of \$1 million or less as a percentage of all businesses.  
 (\*\*) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. Information was available for 100% of small loans to businesses originated and purchased by the bank.  
 (\*\*\*) The market consists of all other Small Business reporters in the MSA/AA and is based on 1998 Aggregate Small Business Data only.  
 (\*\*\*\*) Based on 1998 Aggregate Small Business Data only.  
 (\*\*\*\*\*) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS										
			State: North Dakota			Evaluation Period: January 1, 1997 to June 30, 1999				
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*	% CFNB 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*****
Full-Scope:										
Fargo/Moorhead MSA	96.11	94.44	91.71	86.11	11.11	2.78	2.60	2.75	36	3.97
Limited-Scope:										
Non-MSA Areas	98.05	99.43	56.80	92.19	6.54	1.27	41.92	42.35	871	96.03

(\*) Farms with revenues of \$1 million or less as a percentage of all farms.  
 (\*\*) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. Information was available for 100% of small loans to farms originated and purchased by the bank.  
 (\*\*\*) The market consists of all other Small Farm reporters in the MSA/AA and is based on 1998 Aggregate Small Farm Data only.  
 (\*\*\*\*) Based on 1998 Aggregate Small Farm Data only.  
 (\*\*\*\*\* ) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS State: North Dakota Evaluation Period: January 1, 1997 to June 30, 1999									
MSA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$≈s	#	\$ (000's)
Full-Scope:									
Fargo/Moorhead MSA	0	0	10	1,536	10	1,536	83.61	0	0
Limited-Scope:									
Non-MSA Areas	0	0	3	301	3	301	16.39	0	0

(\*) ΔPrior Period InvestmentsΔ means investments made in a previous evaluation period that are outstanding as of the examination date.

(\*\*) ΔUnfunded CommitmentsΔ means legally binding investment commitments reported on the Report of Condition Schedule-L ΔOff Balance Sheet Items. Δ

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

DISTRIBUTION OF BRANCH AND ATM DELIVERY SYSTEM																State: North Dakota		Evaluation Period: January 1, 1997 to June 30, 1999			
MSA/Assessment Area:	Deposits	Branches						ATMs						Population							
	% of Rated Area Deposits in MSA/AA	# of CFNB Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of CFNB ATMs	% of CFNB 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:																					
Fargo/Moorhead MSA	51.34	4	33.00	0.00	50.00	0.00	50.00	8	44.00	0.00	50.00	25.00	25.00	2.03	17.01	65.99	14.96				
Limited-Scope:																					
Non-MSA Areas	48.66	8	67.00	0.00	0.00	100.00	0.00	10	56.00	0.00	0.00	80.00	20.00	0.00	0.00	76.09	23.91				



