



PUBLIC DISCLOSURE

May 10, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Blackfeet National Bank
Charter Number 21158**

**125 North Public Square
P.O. Box 730
Browning, Montana 59417**

**Office of the Comptroller of the Currency
Billings Field Office
490 North 31st Street, Suite 220
Billings, Montana 59101-1256**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of the **Blackfeet National Bank**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 10, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **“Outstanding.”**

We assign this rating based on the following factors:

- C Blackfeet National Bank’s lending patterns reflect excellent distribution among businesses of different sizes and individuals of different income levels.
- C The geographic distribution of loans reflects an excellent penetration of low-income geographies in the assessment area.
- C The bank is a leader in providing community development services.
- C The bank’s loan-to-deposit ratio is reasonable.
- C A substantial majority of the bank’s loans are made within the assessment area.

DESCRIPTION OF INSTITUTION

Blackfeet National Bank (BNB) is a full service community bank located in Browning, Montana. On March 31, 1999, the bank had total assets of \$19 million. The Blackfeet Indian Tribe owns 94 percent of the bank. BNB is the only financial institution located on the Blackfeet Indian Reservation. The bank was opened in 1987 to meet the credit needs of the community, as there were no financial institutions on the Blackfeet Indian Reservation from 1983 to 1987. Residents had to drive 35 miles to the nearest town for financial services. The bank's office in Browning is located in a low-income block numbering area (BNA). The bank operates one automated teller machine (ATM) in Browning and three seasonal ATMs in Glacier National Park.

The bank specializes in small business, residential real estate, and consumer lending. On December 31 1998, commercial loans comprised 38 percent of outstanding loans, agricultural loans 26 percent, residential real estate loans 25 percent, and consumer loans 11 percent. Net loans represented 53 percent of total assets. The bank's loan portfolio has grown steadily. The loan portfolio increased 17 percent from June 30, 1996, to December 31, 1998.

The bank received an "Outstanding" rating in the previous CRA Performance Evaluation dated November 27, 1996. There are no financial or legal impediments which limit the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

BNB's assessment area includes all of Glacier and Pondera Counties and consists of six contiguous BNAs. The assessment area includes the following towns: Browning, East Glacier Park, Babb, St. Mary, Blackfoot, Heart Butte, Valier, Dupuyer, Conrad, Cut Bank, and Brady. The assessment area includes the entire Blackfeet Indian Reservation. Approximately 18,500 people live in the assessment area. We concluded that the bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

BNB's competition in the assessment area comes from branches of four regional banks, and one community bank.

The 1998 Montana statewide non-metropolitan median family income (MFI) was \$36,100. The following table summarizes the income levels of individual BNAs and families located within the bank assessment area.

1990 U.S. Census Income	Number of BNAs (percent)	Percent of Families
Low Income (<50 percent MFI)	1 (17)	28
Moderate Income (50-79 percent MFI)	-0-	17

1990 U.S. Census Income	Number of BNAs (percent)	Percent of Families
Middle Income (80-119 percent MFI)	5 (83)	22
Upper Income (120+ percent MFI)	-0-	33

The largest employment sectors are: government, tourism, education, and retail trade. The principal economic activities in the assessment area are agriculture and tourism.

We contacted three organizations involved with promoting economic development on the Blackfeet Indian Reservation to discuss economic conditions and credit needs. These individuals stated that the Blackfeet Indian Reservation continues to be a very depressed area. Unemployment estimates for tribal members range from 45 percent to 85 percent. The community contacts identified the most pressing credit needs of the community economic development through lending to small businesses and affordable residential real estate loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

BNB's lending patterns reflect excellent distribution among businesses of different sizes and individuals of different income levels. Based on our sample, BNB originated 80 percent of their farm and business loans to entities with gross revenues less than \$100,000. In addition, the bank made 36 percent of their residential real estate loans to low- and moderate-income families.

The bank's record of lending to farms and businesses demonstrates exceptional responsiveness to the credit needs of very small enterprises. Fifty percent of the bank's farm and business loans were made to enterprises with gross revenues less than \$50,000. These customers typically have limited management skills and minimal financial records. They also require a disproportionately large amount of time for bank officers to assist them. The bank readily serves this market. Small business is considered the key component to improve economic conditions on the Blackfeet Indian Reservation.

BNB's residential real estate lending also demonstrates good responsiveness to the credit needs of low- and moderate-income families. The bank made 13 percent and 23 percent of their residential real estate loans to low- and moderate-income families, respectively. This is below the respective 28 percent and 17 percent representation of low- and moderate-income families in the assessment area. However, the Blackfeet Indian Tribe provides low-cost rental properties to low-income tribal members. This lowers the demand for housing loans from low-income families. There is also a shortage of residential real estate available for sale. This relates to historical challenges in obtaining collateral on tribal properties. Only 37 percent of the housing units in Browning, primary site of housing on the Blackfeet Indian

Reservation, are owner occupied. This is considerably below the 56 percent of owner-occupied housing in the rest of the assessment area. BNB also assists low-income families to become homeowners by using innovative products. Since our last CRA examination, the bank made two home loans guaranteed by the Section 184 Indian Housing Loan Guarantee Program. Several more applications are pending under this program.

We analyzed the distribution of 30 agricultural and business loans made from June 30, 1996, to March 31, 1999. We obtained the gross revenue information from individual loan files. The following chart reflects the distribution of business loan originations to businesses of various sizes.

Business Loan Sample Analysis

Gross Business Revenues	Number of Loans	Percent of Loans
Less than \$100,000	24	80
\$100,000 to \$250,000	4	13
\$250,000 to \$500,000	2	7
\$500,000 to \$1,000,000	0	0
Greater than \$1,000,000	0	0

We also reviewed the distribution of residential real estate loans made from June 30, 1996, to March 31, 1999. We reviewed 30 residential real estate loans using income information from the loan files. The following chart compares the bank’s distribution of residential real estate loan originations (number of loans) to families of different income levels.

Residential Real Estate and Consumer Loan Sample Analysis

Family Income	Percent of Residential RE loans	Percent of Families in Assessment Area
Low (<\$18,050)	13	28
Moderate (\$18,050-\$28,879)	23	17
Middle (\$28,880-\$43,319)	27	22
Upper (>\$43,320)	37	33

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank’s zip code analysis indicates that 81 percent of all loans are made in the Browning BNA. We analyzed a sample of 30 residential real estate loans using data gathered from loan files. BNB demonstrated exceptional success in making loans in the low-income BNA which includes Browning. Again, Browning provides most of the available housing for the Blackfeet Indian Reservation. The following chart compares the bank’s distribution of residential real estate loan originations (number of loans) to the distribution of owner-occupied housing in BNAs of different income levels:

Block Numbering Area Income Level	Percent of Residential RE Loans	Percent of Owner-occupied Housing
Low Income (<50 percent MFI)	80	14
Moderate Income (50-79 percent MFI)	0	0
Middle Income (80-119 percent MFI)	20	86
Upper Income (120+ percent MFI)	0	0

Loan-to-Deposit Ratio

BNB’s loan-to-deposit ratio is reasonable, given the bank’s size, financial condition, and assessment area credit needs. The bank’s average loan-to-deposit ratio for the twelve quarters ending December 31, 1998, was 62 percent. The loan-to-deposit ratios for two similarly situated banks (banks with assets of less than \$40 million, and markets that include an Indian Reservation) in Montana was 54 percent and 51 percent. The relatively low loan-to-deposit ratios for banks near Indian Reservations reflects the generally depressed economic conditions in these markets.

Lending in Assessment Area

The bank makes a substantial majority of its loans within the assessment area. We used bank reports which listed the zip codes for all loan customers. We verified the accuracy of the reports. 97 percent of all loans, by number, were made in the assessment area.

CONCLUSIONS WITH RESPECT TO INVESTMENTS AND SERVICES

The bank became certified as a Community Development Financial Institution (CDFI) on May 5, 1998. A CDFI certified financial institution has a primary mission of promoting community development, predominately serving and maintaining accountability to eligible target markets. The bank recently applied for Bank Enterprise Award (BEA) grants. The BEA grants require this bank to invest funds in

time certificates of deposit at other CDFI banks. BNB placed a \$100,000 deposit at Louisville Community Bank and a \$100,000 deposit at South Shore Bank. BNB expects to receive a \$66,000 award from the BEA in September, 1999. BNB qualified for the awards by committing bank employees' time for community service activities and by committing to using innovative products to increase lending for single-family homes and small businesses. Bank employees volunteer significant amounts of time to provide financial expertise and consulting to the following organizations: Montana Indian Manufacturers, Welfare Reform and Economic Development Subcommittee, Blackfeet Community College, Blackfeet Housing, Jobs Training and Development, and Tribal Business Information Center.

CONCLUSIONS WITH RESPECT TO INVESTMENTS AND SERVICES

The Blackfeet Reservation Development Fund, Inc. (Blackfeet Fund) is a non-profit affiliate of BNB. The Blackfeet Fund is a Community Development Corporation which has two primary objectives: 1) to facilitate community education in personal and business finance; and 2) to operate a community loan and investment fund to meet the needs of those not eligible for traditional banking services. Bank staff and directors dedicated approximately 1600 hours to community development activities since the last CRA examination. The Blackfeet Fund sponsors mini-banks at the Browning Middle School and the Napi Elementary School. The mini-banks are designed to educate students in financial management. The Blackfeet Fund also helped establish an adult financial education curriculum at Blackfeet Community College by providing funds for books and materials and paying teacher salaries. The Blackfeet Fund cooperates with Blackfeet Community College in sponsoring the Tribal Business Information Center (TBIC). The TBIC provides counseling, training, and education for business development and expansion. The TBIC has provided counseling for 1,409 individuals during the three years since its inception on April 17, 1996. The volume of individuals assisted has steadily increased from 42 in the first calendar quarter, to 268 in the most recent quarter. The TBIC reports that it has assisted 67 businesses to start up and/or expand.

To promote affordable housing, BNB cooperates with Blackfeet Housing. Specifically, the bank helps administer grants that assist tribal members in becoming homeowners on the Blackfeet Reservation. Blackfeet Housing made \$500,000 available in 1998 to assist up to 45 low-income Blackfeet families become homeowners. The grants can be up to \$12,000. The money assists with closing costs, down payment, and other costs associated with obtaining a mortgage. BNB assisted 12 families to qualify for these grants. Several of these families are not bank loan customers, but the bank provided technical assistance in obtaining the grants.

Record of Complaints and Compliance with Anti-discrimination Laws

There were no complaints about the bank's CRA performance from the public since the last CRA examination.

We found no violations of the substantive provisions of anti-discrimination laws and regulations. We reviewed the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act.