



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 17, 1997

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank North Dakota
Charter Number 13790
322 DeMers Avenue
Grand Forks, ND 58206**

**Supervisory Agency: Office of the Comptroller of the Currency
Midwestern District
2345 Grand Avenue, Suite 700
Kansas City, MO 64108**

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.

Table of Contents

Glossary of Terms and Common Abbreviations	3
General Information	4
Description of Institution	5
Conclusions with Respect to Performance Tests	
Lending Test	7
Investment Test	19
Service Test	20
Fair Lending Review	21

Community Reinvestment Act Performance Evaluation

First National Bank North Dakota, Grand Forks, North Dakota

GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

Assessment Area (AA) - the geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA. A rural assessment area may contain one or more neighboring counties.

Metropolitan Statistical Area (MSA) - An area containing a city with a population of at least 50,000 or an urbanized area with a population of at least 50,000 and a total metropolitan population of at least 100,000. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas within a MSA. These areas are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Median Family Income - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development updates this figure annually using an estimated inflation factor.

Income Levels - These relate to individuals, families or the CTs in a MSA.

Low = an income level that is less than 50% of the median income.

Moderate = an income level that is at least 50% and less than 80% of the median income.

Middle = an income level that is at least 80% and less than 120% of the median income.

Upper = an income level that is 120% or more of the median income.

Small Business or Small Farm - a business or farm that has \$1,000,000 or less in gross annual revenues.

Small Loan to a Business or Farm - a loan of \$1,000,000 or less to a business of any size or a loan of \$500,000 or less to a farm of any size.

Community Reinvestment Act (CRA) - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. *(This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2901, as amended, and 12 C.F.R. 25, as amended.)*

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. *(This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended, and 12 C.F.R. 203, as amended.)*

First National Bank North Dakota - FNBND

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 **First National Bank North Dakota (FNBND)** prepared by the **Office of the Comptroller of the Currency**, the institution’s supervisory agency, as of **January 17, 1997**. 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 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.

Institution’s CRA Rating: This institution is rated “**Outstanding Record of Meeting Community Credit Needs.**” This evaluation covers calendar years 1994, 1995 and 1996 with respect to HMDA-reportable mortgage loan products. The evaluation covers calendar year 1996 for small business and small farm loans, since it was the first year such data was required to be collected and reported under the revised CRA regulation. We also sampled motor vehicle loan originations to evaluate the various performance criteria for consumer loans. Our sample represented 87% of the motor vehicle loans originated in August 1996.

The following table indicates the performance level of **FNBND** with respect to the lending, investment and service tests.

Performance Levels	First National Bank North Dakota Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		X
High Satisfactory			
Low Satisfactory		X	
Needs To Improve			
Substantial Noncompliance			

*Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

We rated FNBND “Outstanding” because:

- the bank showed excellent responsiveness to its communities’ credit needs and made a substantial majority of its loans in its AAs;
- the geographic distribution of the bank’s loans reflected thorough penetration in both AAs;
- the distribution of the bank’s loans reflected an equitable representation of borrowers based on their income levels;
- the bank originated a high level of community development loans;
- the bank employed many flexible lending practices;
- the bank had an adequate level of qualified community development investments and grants; and
- the bank’s branches were readily accessible with extensive services and products;

FNBND’s performance in the Grand Forks AA and the Fargo-Moorhead AA is consistent with its overall rating.

Description of Institution

FNBND is a wholly owned subsidiary of First National Corporation North Dakota. FNBND offers a full range of commercial, agricultural, real estate and consumer credit products, in addition to deposit, trust and nondeposit investment services. The bank has 13 branches in North Dakota: four in Grand Forks, one at Grand Forks Air Force Base; one in Northwood; two in West Fargo; four in Fargo; and one in Casselton. The bank also owns 23 automated teller machines (ATMs), which are located in Grand Forks, Fargo and West Fargo.

There are no impediments which would hamper FNBND's ability to help meet the credit needs of its local communities. As of September 30, 1996, FNBND had \$470,394,000 in total assets and a 1.19% return on average assets. The bank's loan to deposit ratio on that date was 94%; gross loans represented 80% of total assets. The loan portfolio consisted of the following types of credit: 30% in mortgage loans on one- to four-family residential real estate; 11% in other real estate loans on farms, multi-family and commercial real estate; 21% in agricultural loans; 22% in commercial loans; 15% in consumer loans; and 1% in all other loans.

Bank management delineated two AAs which are used in our evaluation of FNBND's CRA performance. Both AAs are portions of a MSA. The Grand Forks AA includes all of Grand Forks County in North Dakota and CTs 0201.00 through 0207.00 in Polk County, Minnesota. CTs 0208.00 through 0210.00 in eastern Polk County were excluded because of their distance from the bank's North Dakota branches. The Fargo-Moorhead AA includes all of Cass County in North Dakota and CTs 0201.00 through 0301.05 in Clay County, Minnesota. CTs 0302.01 and 0302.02 in eastern Clay County were excluded because of their distance from the bank's North Dakota branches.

The Grand Forks AA has 26 CTs. Four (15%) are moderate-income; 18 (70%) are middle-income; and four (15%) are high-income. There are no low-income CTs. The updated 1996 median family income in Grand Forks is \$36,800. The Grand Forks AA has a population of about 93,571 persons and approximately 23,130 families. The family breakdown by income level is: 16% low-income; 19% moderate-income; 26% middle-income; and 39% are upper-income. The Grand Forks AA is dependent upon agriculture with the University of North Dakota and the Air Force Base providing stability to the economy.

The Fargo-Moorhead AA has 34 CTs. One (3%) is low-income; seven (21%) are moderate-income; 22 (65%) are middle-income; and four (12%) are upper-income. The updated 1996 median family income in Fargo is \$42,100. The Fargo-Moorhead AA has a population of about 144,131 persons and approximately 35,084 families. The family breakdown by income level is: 18% low-income; 18% moderate-income; 26% middle-income; and 38% upper-income. The Fargo-Moorhead AA is also dependent upon agriculture, with several universities, colleges and hospitals providing stability to the economy.

Conclusions with Respect to Performance Tests

LENDING TEST

Lending Activity - FNBND's lending levels for HMDA-reportable mortgage loans, commercial loans, and a sample of consumer (motor vehicle) loans demonstrated excellent responsiveness to local credit needs in both AAs. The bank made a substantial majority of its mortgage, commercial, and consumer loans in its AAs. The following tables display these data.

HMDA Loan Originations

Grand Forks AA

LOAN TYPE	1994 Number	1994 \$ in 000's	1995 Number	1995 \$ in 000's	1996 Number	1996 \$ in 000's
Government Home Purchase	124	\$8,011	119	\$7,930	97	\$6,832
Conventional Home Purchase	135	\$8,940	176	\$12,531	185	\$13,489
Refinance	150	\$11,148	93	\$7,151	145	\$11,280
Home Improvement	246	\$2,367	262	\$2,702	286	\$3,215
Totals	655	\$30,466	650	\$30,314	713	\$34,816

Fargo-Moorhead AA

LOAN TYPE	1994 Number	1994 \$ in 000's	1995 Number	1995 \$ in 000's	1996 Number	1996 \$ in 000's
Government Home Purchase	18	\$1,108	32	\$2,191	41	\$2,809
Conventional Home Purchase	46	\$3,309	62	\$4,777	80	\$6,855
Refinance	65	\$4,553	59	\$3,943	77	\$6,165
Home Improvement	174	\$1,120	151	\$1,317	95	\$1,115
Totals	303	\$10,090	304	\$12,228	293	\$16,944

HMDA LOANS RECAP BY AA	1994 Total Originations	1995 Total Originations	1996 Total Originations
Grand Forks AA	655	650	713
Fargo-Moorhead AA	303	304	293
Subtotal AAs	958	954	1,006
Outside AAs	3	5	118
Totals	961	959	1,124
% in AAs	99.69%	99.48%	89.50%

Community Reinvestment Act Performance Evaluation
 First National Bank North Dakota, Grand Forks, North Dakota

Business and Farm Loan Originations - 1996

LOCATION	# of Loans	\$ in 000's
Grand Forks AA	969	118,734
Fargo-Moorhead AA	558	72,911
Subtotal AAs	1,527	191,645
Outside AAs	268	45,544
Totals	1,795	237,189
% in AAs	85.07%	80.80%

Consumer (Motor Vehicle) Loan Originations - August 1996

LOCATION	# of Loans	\$ in 000's
Grand Forks AA	92	828
Fargo-Moorhead AA	49	388
"Other" in AA*	48	383
Subtotal AAs	189	1,599
Outside AAs	38	303
Totals	227	1,902
% in AAs	83.26%	84.07%

*"Other" means sampled loans that were in either the Grand Forks or Fargo-Moorhead AA, but the specific AA was not written down in the workpaper.

FNBND maintained the dominant market share of HMDA-reportable mortgage loans in the Grand Forks AA during 1994 and 1995. The bank's share of HMDA mortgage loan originations in the Fargo-Moorhead AA was good and showed moderate increases in two categories from 1994 to 1995. We considered FNBND's position in Fargo-Moorhead favorably because the bank expanded its branches in that community a relatively short time ago in 1991. We determined FNBND's percentage of total mortgage loans within the two AAs and its respective ranking by analyzing the 1994 and 1995 HMDA data reported by all lenders who made mortgage loans in each AA. HMDA market share data were not available for 1996. Market share data are not available for other types of loan products the bank offers.

Community Reinvestment Act Performance EvaluationFirst National Bank North Dakota, Grand Forks, North Dakota

The following tables reflect FNBND's percentage of all HMDA-reportable loans made and its rank in each AA.

HMDA Market Share Data*Grand Forks AA - All Originations*

LOAN TYPE	1994 FNBND %Market Share (Rank)	Total # of Lenders	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	29.95% (1)	18	28.13% (1)	20
Conventional Home Purchase	20.49% (1)	34	21.20% (1)	26
Refinance	23.36% (1)	36	22.91% (1)	28
Home Improvement	39.68% (1)	19	36.54% (1)	19

Fargo-Moorhead AA - All Originations

LOAN TYPE	1994 FNBND % Market Share (Rank)	Total # of Lenders	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	1.77% (12)	25	3.33% (10)	27
Conventional Home Purchase	3.53% (12)	55	4.26% (9)	55
Refinance	5.49% (5)	57	7.90% (5)	52
Home Improvement	19.98% (1)	24	18.11% (1)	30

Geographic Distribution - The geographic distribution of FNBND's HMDA-reportable mortgage loans, business and farm loans reflected through penetration in both of its AAs. The bank was not required to identify the CT in which its motor vehicle loans were made. Therefore, we did not analyze the geographic distribution of the consumer loans we sampled.

HMDA Loan Originations

The bank's geographic distribution of HMDA-reportable loans in the Grand Forks AA showed excellent penetration in CTs at every income level for all HMDA products. To draw our conclusion, we considered FNBND's percentage of loan originations compared to the percentage of CTs represented at each income level and the percentage of owner-occupied housing present in CTs at each income level. The following tables support this finding for the Grand Forks AA. Please note: There are no low-income CTs in the Grand Forks AA.

Community Reinvestment Act Performance Evaluation

First National Bank North Dakota, Grand Forks, North Dakota

Grand Forks AA - Moderate-Income CTs represent 15.38% of all CTs/Owner-occupied Housing = 2.49%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	4.84%	31.58% (2)	6	3.36%	21.05% (2)	10
Conventional Home Purchase	3.70%	33.33% (1)	8	4.55%	36.36% (1)	10
Refinance	5.33%	27.59% (1)	12	2.15%	10.00% (3)	8
Home Improvement	2.44%	37.50% (1)	6	6.49%	48.57% (1)	7

Grand Forks AA - Middle-Income CTs represent 69.23% of all CTs/Owner-occupied Housing = 78.35%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	74.19%	28.93% (1)	18	83.19%	28.78% (1)	19
Conventional Home Purchase	58.52%	18.24% (1)	27	58.52%	17.91% (1)	26
Refinance	57.33%	19.46% (1)	34	56.99%	18.66% (1)	27
Home Improvement	62.20%	36.08% (1)	19	64.50%	33.40% (1)	18

Grand Forks AA - Upper-Income CTs represent 15.38% of all CTs/Owner-occupied Housing = 19.16%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	20.97%	33.77% (1)	11	13.45%	26.67% (1)	12
Conventional Home Purchase	37.78%	24.17% (1)	22	36.93%	27.90% (1)	18
Refinance	37.33%	32.75% (1)	16	40.86%	37.25% (1)	13
Home Improvement	35.37%	48.33% (1)	13	29.01%	43.18% (1)	12

The geographic distribution of FNBND’s HMDA-reportable mortgage loans in the Fargo-Moorhead AA showed reasonable penetration for government home purchase, conventional home purchase and refinance loans in CTs at each income level. The bank increased its market share from 1994 to 1995 in each of these products. FNBND’s geographic distribution of home improvement loans was excellent both years in CTs at each income level. The following tables support this finding for the Fargo-Moorhead AA.

Community Reinvestment Act Performance Evaluation

First National Bank North Dakota, Grand Forks, North Dakota

Fargo-Moorhead AA - Low-Income CTs represent 2.94% of all CTs/Owner-occupied Housing = .09%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	NA	NA	1	NA	NA	0
Conventional Home Purchase	NA	NA	3	NA	NA	0
Refinance	NA	NA	0	NA	NA	0
Home Improvement	1.15%	100.00% (1)	1	NA	NA	0

Fargo-Moorhead AA - Moderate-Income CTs represent 20.59% of all CTs/Owner-occupied Housing = 13.19%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	16.67%	1.75% (11)	18	28.13%	4.41% (8)	17
Conventional Home Purchase	15.22%	5.98% (5)	27	19.35%	6.03% (4)	30
Refinance	15.38%	7.09% (5)	28	22.03%	16.05% (1)	24
Home Improvement	17.24%	25.00% (1)	15	17.88%	22.69% (1)	15

Fargo-Moorhead AA - Middle-Income CTs represent 64.71% of all CTs/Owner-occupied Housing = 68.34%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	77.78%	2.11% (11)	21	59.38%	3.14% (10)	22
Conventional Home Purchase	45.65%	3.15% (11)	46	50.00%	4.43% (8)	44
Refinance	66.15%	5.09% (6)	54	59.32%	7.66% (5)	46
Home Improvement	66.09%	20.07% (1)	23	66.23%	17.48% (1)	26

Fargo-Moorhead AA - Upper-Income CTs represent 11.76% of all CTs/Owner-occupied Housing = 18.39%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	5.56%	.55% (13)	14	12/50%	2.67% (11)	21
Conventional Home Purchase	39.13%	3.50% (11)	35	30.65%	3.41% (11)	36
Refinance	18.46%	3.87% (10)	35	18.64%	5.26% (9)	28
Home Improvement	15.52%	15.34% (4)	16	15.89%	16.78% (2)	20

Community Reinvestment Act Performance EvaluationFirst National Bank North Dakota, Grand Forks, North Dakota

Business and Farm Loan Originations

The bank's geographic distribution of business loans showed excellent penetration throughout both AAs in CTs at each income level. To draw our conclusion, we looked at the percentage of bank loans made in CTs at each income level and compared that to the percentage of CTs at that income level. We do not have information on the number of commercial businesses located in a CT and cannot analyze potential lending opportunities. The bank did not make any business loans in the low-income CT in the Fargo-Moorhead AA. That CT represents the Fargo airport.

FNBND's geographic distribution of farm loans also reflected excellent penetration throughout both AAs compared to the percentage of CTs at each income level and the percentage of households engaged in farming in those CTs. No farm loans were made in the low-income CT that represents the Fargo airport. The following tables support these findings for the Grand Forks and Fargo-Moorhead AAs.

GRAND FORKS AA	# Business Loans	% Business Loans	# Farm Loans	% Farm Loans	% Households Engaged in Farming	% CTs @ Income Level
Low-income CTs	NA	NA	NA	NA	NA	NA
Moderate-income CTs	75	14.40%	8	1.79%	.9%	15.38%
Middle-income CTs	364	69.86%	358	79.91%	7%	69.23%
Upper-income CTs	82	15.74%	82	18.30%	3%	15.38%
Totals	521	100.00%	448	100.00%	NA	100.00%

FARGO-MOORHEAD AA	# Business Loans	% Business Loans	# Farm Loans	% Farm Loans	% Households Engaged in Farming	% CTs @ Income Level
Low-income CTs	0	NA	0	NA	1%	2.94%
Moderate-income CTs	190	45.35%	9	6.48%	2%	20.59%
Middle-income CTs	163	38.90%	118	84.89%	6%	64.71%
Upper-income CTs	66	15.75%	12	8.63%	2%	11.76%
Totals	419	100.00%	139	100.00%	NA	100.00%

Borrower Characteristics - The distribution of FNBND's HMDA-reportable mortgage loans, business loans, farm loans, and the motor vehicle loans we sampled was very strong based on the characteristics of the borrower.

HMDA Loan Originations

The level of HMDA originations to borrowers in the Grand Forks AA reflected excellent representation of people at each income level. We based our conclusions on the fact FNBND was usually the market leader for people at each income level in each product type for both 1994 and 1995. The bank's origination of

Community Reinvestment Act Performance Evaluation

First National Bank North Dakota, Grand Forks, North Dakota

home improvement loans to low- and moderate-income borrowers was exceptionally strong. The following tables support these findings.

Grand Forks Assessment Area - Low Income Borrowers/# Families = 16.35%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	3.23%	21.05% (2)	6	2.52%	15.79% (2)	9
Conventional Home Purchase	5.19%	14.58% (2)	15	2.84%	10.20% (4)	11
Refinance	2.00%	12.00% (4)	12	3.23%	27.27% (1)	7
Home Improvement	6.91%	45.95% (1)	8	9.16%	53.33% (1)	???

Grand Forks Assessment Area - Moderate Income Borrowers/# Families = 18.57%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	16.94%	19.81% (3)	10	15.97%	20.65% (2)	13
Conventional Home Purchase	11.11%	17.24% (2)	17	7.95%	12.39% (2)	19
Refinance	10.00%	23.81% (1)	15	6.45%	12.77% (1)	18
Home Improvement	16.26%	37.74% (1)	14	16.41%	43.43% (1)	11

Grand Forks Assessment Area - Middle Income Borrowers/# Families = 25.96%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	45.16%	33.33% (1)	14	36.13%	27.56% (1)	15
Conventional Home Purchase	27.41%	21.14% (1)	20	27.27%	22.75% (1)	20
Refinance	17.33%	18.18% (1)	18	21.51%	18.69% (1)	18
Home Improvement	29.27%	42.35% (1)	15	31.30%	36.44% (1)	17

Grand Forks Assessment Area - Upper Income Borrowers/# Families = 39.12%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	27.42%	30.36% (1)	13	44.54%	34.19% (1)	16
Conventional Home Purchase	52.59%	20.82% (1)	29	59.66%	23.39% (1)	25
Refinance	66.67%	28.82% (1)	21	62.37%	26.48% (1)	21
Home Improvement	45.12%	37.88% (1)	17	37.40%	30.06% (1)	15

Community Reinvestment Act Performance EvaluationFirst National Bank North Dakota, Grand Forks, North Dakota

The level of HMDA originations to borrowers in the Fargo-Moorhead AA also reflected excellent representation of people at each income level. As we noted earlier in this document, FNBND has had an expanded presence in the Fargo-Moorhead market since 1991. The bank's market share levels were reasonable based on that tenure. The bank's distribution of loans to people at each income level compared very favorably to the percentage of families at each income level. FNBND's origination of home improvement loans to low- and moderate-income borrowers in the Fargo-Moorhead AA was exceptionally strong. The following tables support these findings.

Fargo-Moorhead AA - Low-Income Borrowers/# Families = 17.60%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	16.67%	2.80% (11)	14	12.50%	5.41% (6)	15
Conventional Home Purchase	6.52%	4.76% (9)	24	3.23%	2.27% (13)	25
Refinance	4.62%	4.69% (6)	21	5.08%	10.34% (1-3 way tie)	17
Home Improvement	12.64%	37.29% (1)	13	13.25%	28.57% (1)	14

Fargo-Moorhead AA - Moderate-Income Borrowers/# Families = 17.84%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	38.89%	1.97% (11)	17	28.13%	3.13% (8)	19
Conventional Home Purchase	21.74%	4.74% (7)	29	16.13%	4.33% (8)	34
Refinance	7.69%	4.96% (4)	35	18.64%	12.50% (2)	24
Home Improvement	28.16%	29.70% (1)	18	18.54%	19.86% (2)	21

Fargo-Moorhead AA - Middle-Income Borrowers/# Families = 26.29%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	38.99%	1.67% (11)	18	40.63%	3.04% (11)	21
Conventional Home Purchase	28.26%	3.54% (10)	40	33.87%	5.33% (8)	44
Refinance	29.23%	5.88% (6)	38	25.42%	7.50% (5)	32
Home Improvement	29.89%	19.26% (1)	20	35.105	21.37% (1)	22

Community Reinvestment Act Performance Evaluation

First National Bank North Dakota, Grand Forks, North Dakota

Fargo-Moorhead AA - Upper-Income Borrowers/# Families = 38.27%

LOAN TYPE	% Loans in Category	1994 FNBND %Market Share (Rank)	Total # of Lenders	% Loans in Category	1995 FNBND % Market Share (Rank)	Total # of Lenders
Government Home Purchase	NA	NA	13	15.63%	3.01% (9)	17
Conventional Home Purchase	36.96%	2.60% (14)	43	43.55%	3.77% (10)	44
Refinance	53.85%	6.67% (5)	44	44.07%	7.90% (5)	52
Home Improvement	28.74%	14.84% (1)	20	31.79%	13.71% (3)	24

Consumer (Motor Vehicle) Loan Originations

The level of motor vehicle loan originations we sampled to borrowers in the Grand Forks and Fargo-Moorhead AAs reflected excellent representation of people at each income level compared to the percentage of families at each income level. Loans to low- and moderate-income borrowers significantly exceeded the population demographics. The following tables support these findings.

GRAND FORKS AA	# of Loans	% Loans	% Families @ Income Level
Low-income Borrowers	21	22.83%	16.35%
Moderate-income Borrowers	27	29.35%	18.57%
Middle-income Borrowers	18	19.56%	25.96%
Upper-income Borrowers	26	28.26%	39.12%
Totals	92	100.00%	100.00%

FARGO-MOORHEAD AA	# of Loans	% Loans	% Families @ Income Level
Low-income Borrowers	19	38.78%	17.60%
Moderate-income Borrowers	15	30.61%	17.84%
Middle-income Borrowers	10	20.41%	26.29%
Upper-income Borrowers	5	10.20%	38.27%
Totals	49	100.00%	100.00%

Business and Farm Loan Originations

The distribution of business loans FNBND originated in 1996 reflected excellent representation of businesses of different sizes in both AAs, particularly very small businesses. The revised CRA regulation assumes loan size generally correlates with the size of the business. Loans of \$1,000,000 or less are considered small loans to small businesses. The bank made a substantial majority of its loans for amounts of

Community Reinvestment Act Performance EvaluationFirst National Bank North Dakota, Grand Forks, North Dakota

\$100,000 or less in both AAs. Further, almost all of the business loans were made for amounts below \$1,000,000. The following tables support these findings.

Distribution of 1996 Business Loans By Size***Grand Forks AA***

LOAN SIZE IN 000's	# of Loans	% Loans	Volume in 000's	% Volume
< \$100	395	75.82%	\$10,925	15.96%
\$100 and < \$250	64	12.28%	\$8,717	12.73%
\$250 and < \$500	27	5.18%	\$8,650	12.64%
\$500 and < = \$1,000	23	4.42%	\$16,729	24.44%
Subtotal < = \$1,000	509	97.70%	\$45,021	65.77%
> \$1,000	12	2.30%	\$23,436	34.23%
Totals	521	100.00%	\$68,457	100.00%

Fargo-Moorhead AA

LOAN SIZE IN 000's	# of Loans	% Loans	Volume in 000's	% Volume
< \$100	325	77.57%	\$8,708	16.90%
\$100 and < \$250	45	10.74%	\$6,630	12.87%
\$250 and < \$500	22	5.25%	\$7,302	14.17%
\$500 and < = \$1,000	20	4.77%	\$14,240	27.63%
Subtotal < = \$1,000	412	98.33%	\$36,880	71.57%
> \$1,000	7	1.67%	\$14,650	28.43%
Totals	419	100.00%	\$51,530	100.00%

The distribution of business loans FNBND originated in 1996 reflected good representation of businesses of different income levels in both AAs. The revised CRA regulation assumes gross annual revenues also generally correlate with the size of the business. Gross annual revenues of \$1,000,000 or less are equated with small businesses. The bank made a significant majority of its loans to small businesses in both AAs. The following tables support these findings.

Distribution of 1996 Businesses Loans By Gross Annual Revenues

Community Reinvestment Act Performance Evaluation
 First National Bank North Dakota, Grand Forks, North Dakota

Grand Forks AA

REVENUE SIZE IN 000's	# of Loans	% Loans	Volume in 000's	% Volume
< \$1,000	348	66.80%	\$22,478	32.84%
= to or > \$1,000	119	22.84%	\$42,442	62.00%
Not Part of Credit Decision	54	10.36%	\$3,537	5.16%
Totals	521	100.00%	\$68,457	100.00%

Fargo-Moorhead AA

REVENUE SIZE 000's	# of Loans	% Loans	Volume in 000's	% Volume
< \$1,000	322	76.85%	\$18,788	36.46%
= to or > \$1,000	66	15.75%	\$28,077	54.49%
Not Part of Credit Decision	31	7.40%	\$4,665	9.05%
Totals	419	100.00%	\$51,530	100.00%

The distribution of farm loans FNBND originated in 1996 reflected very good representation of farming operations of different sizes in both AAs. The revised CRA regulation assumes loan size generally correlates with the size of the farming operation. Loans of \$500,000 or less are considered small loans to small farms. FNBND made a significant majority of its farm loans for amounts of \$100,000 or less in both AAs. Almost all of the farm loans originated were for amounts below \$500,000. The following tables support these findings.

Distribution of 1996 Farm Loans By Size

Grand Forks AA

LOAN SIZE IN 000's	# of Loans	% Loans	Volume in 000's	% Volume
< \$100	313	69.87%	\$9,051	18.00%
\$100 and < \$250	82	18.30%	\$11,997	23.86%
\$250 and < = \$500	41	9.15%	\$14,293	28.43%
Subtotal < = \$500	436	97.32%	\$35,341	70.29%
> \$500	12	2.68%	\$14,936	29.71%
Totals	448	100.00%	\$50,277	100.00%

Fargo-Moorhead AA

Community Reinvestment Act Performance Evaluation

First National Bank North Dakota, Grand Forks, North Dakota

LOAN SIZE IN 000's	# of Loans	% Loans	Volume in 000's	% Volume
< \$100	92	66.19%	\$3,094	14.47%
\$100 and < \$250	28	20.14%	\$4,574	21.39%
\$250 and <= \$500	11	7.91%	\$3,725	17.42%
Subtotal <= \$500	131	94.24%	\$11,393	53.28%
> \$500	8	5.76%	\$9,988	46.72%
Totals	139	100.00%	\$21,381	100.00%

The distribution of farm loans FNBND originated in 1996 reflected excellent representation of farming operations of different income levels in both AAs, particularly small farms. The revised CRA regulation assumes gross annual revenues generally correlate with the size of the farm. Gross annual revenues of \$1,000,000 or less are equated with small farms. The bank made a substantial majority of its loans to small farms in both AAs. The following tables support these findings.

Distribution of 1996 Farm Loans By Gross Annual Revenues*Grand Forks AA*

REVENUE SIZE IN 000's	# of Loans	% Loans	Volume in 000's	% Volume
< \$1,000	375	83.71%	\$34,502	68.62%
= to or > \$1,000	40	8.93%	\$12,538	24.94%
Not Part of Credit Decision	33	7.36%	\$3,237	6.44%
Totals	448	100.00%	\$50,277	100.00%

Fargo-Moorhead AA

REVENUE SIZE 000's	# of Loans	% Loans	Volume in 000's	% Volume
< \$1,000	114	82.01%	\$10,428	48.77%
= to or > \$1,000	18	12.95%	\$10,531	49.26%
Not Part of Credit Decision	7	5.04%	\$422	1.97%
Totals	139	100.00%	\$21,381	100.00%

Community Development Lending - FNBND originated a high level of community development loans since the last CRA examination. Community development loans cannot be home mortgage (except for loans on multi-family housing units), small business or small farm loans. They must meet the definition of "community development" contained in the revised CRA regulation and deal with: affordable housing for low- or moderate-income persons; community services for low- or moderate-income persons; activities that promote economic development by financing certain businesses or farms; and activities that revitalize or

Community Reinvestment Act Performance Evaluation

First National Bank North Dakota, Grand Forks, North Dakota

stabilize low- or moderate-income areas. Bank records showed the following qualified community development loans over the evaluation period: five loans totaling \$3,635,000 in 1994; seven loans totaling \$4,162,000 in 1995; and four loans totaling \$4,585,000 in 1996. Most of these loans were for economic development that promoted expansion and job creation. One loan was extended to rehabilitate a 38-unit multifamily housing project for low- to moderate-income tenants. All of the loans benefited the bank's AAs. FNBND partnered with the Bank of North Dakota, the Federal Home Loan Bank's Affordable Housing Program, local economic development funds, and other commercial lenders to ensure community development loans for worthwhile projects were made.

Innovative or Flexible Lending Practices - FNBND used many flexible lending practices to address the credit needs of low- to moderate-income persons, small businesses and small farms. Here are some examples.

The bank participated in down payment assistance programs for low- and moderate-income homebuyers. These programs were sponsored by cities in both AAs and the North Dakota Housing Finance Agency. In 1996 the bank made five mortgage loans totaling \$243,150 in the Grand Forks AA and 12 mortgage loans in the Fargo AA totaling \$775,350 using down payment assistance grants. The bank also offered Federal Housing Administration and Veteran's Affairs loans which have liberal underwriting standards. The number and dollar volume of these loans are reflected in the HMDA tables under the "Lending Test" section.

FNBND is a preferred Small Business Administration (SBA) lender and has 85 SBA loans on its books. During our evaluation period the bank made 83 loans totaling \$49,742,747 to small businesses and small farms that the SBA would not qualify. FNBND used its standard underwriting criteria for these loans and shared its risk by participating portions of them with the Bank of North Dakota.

Over the evaluation period, FNBND provided term debt structures to many farm customers who suffered three successive poor crop years. The bank also offered Farmers Home Administration and Farmers Service Agency loan programs. In 1995 and 1996 the bank made 20 loans for \$2,195,000 using these programs.

INVESTMENT TEST

FNBND had an adequate level of qualified community development investments and grants. FNBND's record of making qualified investments in its AAs was commensurate with the opportunities available. The bank occasionally purchased qualified municipal investments from brokerages. However, these purchases were limited. The bank has a very high loan to deposit ratio and had to purchase investments which were eligible to be pledged to public deposits. Therefore, the bank was constrained in the amount of qualified municipal bonds it can purchase and hold. Since the last CRA examination, the bank made eight qualified investments totaling \$965,000.

The bank exhibited very good responsiveness to credit and community development needs through its normal lending practices (as described in the lending test sections of this report) and by funding grants for

Community Reinvestment Act Performance EvaluationFirst National Bank North Dakota, Grand Forks, North Dakota

local economic development entities. The grants and donations provided local development authorities and civic organizations with funds to promote and finance community economic development activities. These grants were not routinely provided by other private investors. During 1995 and 1996 FNBND made 20 community development grants totaling \$74,150 in its AAs.

The bank does not use complex investments to support development initiatives.

SERVICE TEST

Retail Banking Services - FNBND's delivery systems were readily accessible to all portions of the bank's AAs. The distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies was very good as illustrated in the following table.

Tract Income	# of Tracts	% of Tracts	# of Branches	% of Branches
Low	1	1.67%	1	7.14%
Moderate	11	18.33%	5	35.72%
Middle	40	66.67%	7	50.00%
Upper	8	13.33%	1	7.14%
Totals	60	100.00%	14	100.00%

Bank services were available equally at all branch locations. Services did not vary between the two AAs or among geographies of different income levels. Alternate delivery systems which enhance accessibility to bank services and products for all customers, including low- and moderate- income individuals, were extensive. Examples include full service branches with extended hours in five area supermarkets, a 24-hour-seven-days-a-week telephone banking service and 23 bank-owned ATMs. All routine retail banking transactions could be completed with the telephone banking system.

Community Development Services

FNBND provided a high level of community development services. The bank conducted home buying seminars, in conjunction with a local realtor, for prospective home buyers. During the seminars, residential real estate loan officers were available to answer questions and described the application process. Bank staff also discussed products such as the First Time Home Buyer Mortgage and down payment assistance programs. These two programs are targeted to low- and moderate-income individuals.

FNBND provided ongoing realtor education for local realty firms. Throughout the first and second quarters of 1996 bank officers met with all the realty firms in the AAs. Loan officers introduced various credit products available for home purchase, including products targeted to low- and moderate-income individuals.

Community Reinvestment Act Performance Evaluation

First National Bank North Dakota, Grand Forks, North Dakota

FNBND was instrumental in educating school age children, teens and civic organizations about credit, money management, and consumer economic responsibilities through the Personal Economic Program (PEP). PEP is a volunteer program involving banking industry professionals who donate time to help educate and inform children and adults about financial matters.

Bank personnel were involved in the Junior Achievement Programs which introduce school age children to economics and money management. The program uses bank personnel's expertise to help students understand basic personal economic concepts and conduct personal and family financial management exercises.

FAIR LENDING REVIEW

We did not find any violations of the substantive provisions of the antidiscrimination laws (Home Mortgage Disclosure, Equal Credit Opportunity and Fair Housing Acts) and their implementing regulations.