



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**July 11, 2005**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Native American Bank, National Association  
Charter Number 21158**

**125 North Public Square  
Browning, MT 59417**

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

**NOTE: This document is an evaluation of this 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. 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.**

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

Native American Bank, N.A.'s (NAB) lending performance reflects an outstanding response to community credit needs. This conclusion is based on the following results.

- The bank's average loan-to-deposit (LTD) ratio reflects a strong responsiveness to community credit needs and exceeds similarly situated banks.
- NAB's residential real estate lending performance to low- and moderate-income families is excellent.
- The bank is a certified Community Development Financial Institution.
- Lending activities represent an excellent penetration of loans to farms of different sizes.
- The bank originated a substantial majority of loans inside its assessment area (AA).
- The geographic distribution of loans is good.

## **DESCRIPTION OF INSTITUTION**

Native American Bank (NAB) is a full service community bank operating in northwest Montana. The bank is headquartered in Browning, Montana. As of March 31, 2005, total assets equaled \$54 million and net loans to total assets were 80 percent. In 2001, the Blackfeet Indian Tribe sold the bank to Native American Bancorp, a one-bank holding company that owns 100 percent of NAB. The holding company is owned by a group of various Native American Corporations. The bank has four ATMs, one at the Browning bank office, two at Browning area businesses and one in Fort Belknap on the Rocky Boys Reservation. The bank has three Loan Production Offices (LPO) located in Fort Belknap (Rocky Boys Reservation), Denver, Colorado and Anchorage, Alaska. NAB's business focus is to provide a variety of credit and deposit services to support the needs of agriculture producers, small businesses, and consumers located within the assessment area.

The prior Community Reinvestment Act Performance Evaluation dated May 10, 1999 resulted in an "Outstanding" rating.

The bank does not have any financial or legal impediments that prevent it from meeting the credit needs of the assessment area.

Please refer to the bank's *CRA Public File* for more information.

## **DESCRIPTION OF GLACIER and PONDERA COUNTIES**

Native American Bank has one assessment area. The assessment consists of whole counties that are not part of a Metropolitan Statistical Area. The AA is comprised of eight census tracts, three moderate- income, four middle-income and one upper-income tract. The assessment area does not arbitrarily exclude any low- or moderate-income areas. 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 AA includes the entire Blackfeet Indian Reservation. According to 2000 Census data, 54 percent of the 8,077 housing units in the AA

were owner occupied, and 17 percent were vacant. Census data also lists the population of the AA at 19,671. Based on information obtained from the bank's real estate lender the typical selling price of a home in the AA is approximately \$55,000.

For 2005, the US Department of Housing and Urban Development (HUD) estimates the non-metropolitan, median family income (MFI) for Montana at \$46,400.

**Glacier and Pondera County Family Income Distribution  
2000 Census Data**

Income Level	Percent of MFI	Income Range	Family Income	
			Number	Percent
Low-Income	Less than 50%	<\$23,200	1,358	27%
Moderate-Income	51% - 80%	\$23,201 - \$37,120	1,012	20%
Middle-Income	81% - 120%	\$37,121 - \$55,680	1,121	22%
Upper-Income	121% and over	>\$55,681	1,530	31%
Totals			5,021	100%

The local economy is largely dependent on agriculture, tourism and recreational activities. Based on 2004 employee census data, the area's largest industries are services (30 percent), agriculture (22 percent), and retail trade (12 percent). Major employers are the Blackfeet Tribe, Blackfeet Community College and the school district. The June 30, 2004 FDIC Market Share Report shows Stockman Bank holds 51 percent of the deposits in Glacier and Pondera counties. NAB's market share was 21 percent.

We contacted two local business owners and a tribal member to discuss economic conditions and credit needs. Each person commented that housing is the biggest need in the community. Each community contact indicated the financial institution is supportive of the community.

Please refer to the bank's *CRA Public File* for more information.

**CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

We evaluated the bank's lending performance by reviewing loans originated from January 1, 2003 through March 31, 2005. Our analysis focused on 1-4 residential real estate, consumer auto loans, and agricultural loans. We randomly selected 60 loans to test the bank's lending performance: 10 residential real estate purchase, 10 residential real estate refinance, 20 consumer auto, and 20 agricultural loans. We obtained demographic information from the 2000 United States Census.

The table below shows the number and dollar amount of loans NAB originated for the review period.

Loan Originations During 2004 and 2005		
Loan Type	Number	Dollar Amount (\$000)
Agricultural Loans	93	\$2,468,950

Commercial Loans	105	\$27,487,208
1-4 Family Residential RE	22	\$1,289,985
Consumer Loans	1,352	\$4,081,047
Construction	14	\$4,817,737
Total	1,587	\$40,144,927

**Loan-to-Deposit Ratio**

**The bank's average loan-to-deposit (LTD) ratio reflects a strong responsiveness to community credit needs and exceeds similarly situated banks.**

Similarly situated banks are those banks of similar business lines and comparable asset size operating in the state of Montana. We identified seven other community banks that met these criteria. Five of the seven banks border Indian Reservations. Based on this comparison, NAB's loan-to-deposit ratio indicates a strong responsiveness to area credit needs. We averaged each bank's loan-to-deposit ratio for the last thirteen quarters for comparison ending March 31, 2005. NAB's loan-to-deposit ratio average was 80 percent, compared to 70 percent for the seven similarly situated banks.

**Lending in Assessment Area**

**All loans in the loan sample are inside the bank's AA. This exceeds the standards for satisfactory performance.**

We sampled 60 loans; 10 residential real estate purchase, 10 residential real estate refinance, 20 consumer auto loans, and 20 agricultural loans. We did not sample any commercial loans as these loans are originated from the Denver LPO. The commercial loans are generally made to Indian Corporations located throughout the country.

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

**Given the demographics of the AA, the distribution of loans originated reflects an excellent penetration among borrowers of different incomes and farms of different sizes.**

To determine the bank's performance of lending to borrowers of different incomes, we sampled 10 1-4 residential purchase loans and 10 1-4 residential refinance loans originated from January 1, 2003 to March 31, 2005. Bank management demonstrated outstanding performance in originating home loans for moderate- income borrowers. A majority of these loans did not meet secondary market standards and are not eligible for purchase. The bank did not make any home loans to low-income borrowers. This fact does not detract from the bank's overall performance, because low-income individuals typically do not qualify for home loans.

<b>Table 2 - Borrower Distribution of Purchase Residential Real Estate Loans in Glacier and Pondera Counties</b>				
Borrower Income Level	Low	Moderate	Middle	Upper

Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Purchase	27%	0	20%	60%	22%	30%	30%	10%

Source: loan sample; U.S. Census data.

<b>Table 2 - Borrower Distribution of Refinanced Residential Real Estate Loans in Glacier and Pondera Counties</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Refinance	27%	0	20%	60%	22%	20%	30%	20%

Source: loan sample; U.S. Census data.

<b>Table 2 - Borrower Distribution of Consumer Auto Loans in Glacier and Pondera Counties</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Auto	27%	15%	20%	40%	22%	15%	30%	30%

Source: loan sample; U.S. Census data.

The bank exceeds the farm demographic for loans to borrowers with revenues of \$500 thousand or less by percent of dollar amount and percent of number of loans. Seventy-five percent of the loans made were to farms with revenues under \$100,000. Refer to the table below.

Agricultural Loans - We sampled 20 agricultural loans.

<b>Table 2A - Borrower Distribution of Loans to Farms in Glacier and Pondera Counties</b>				
Farm Revenues (or Sales)	≤\$500,000	>\$500,000	Unavailable/ Unknown	Total
% of AA Farms	96%	2%	2%*	100%
% of Bank Loans in AA by #	100%	0	0	100%
% of Bank Loans in AA by \$	100%	0	0	100%

Source: Loan sample; Dunn and Bradstreet data. \* 2% of AA farms did not report revenue data

### **Geographic Distribution of Loans**

The geographic distribution of loans is good. The assessment area consists of eight census tracts, three moderate-income, four middle-income and one upper-income tract. Ninety percent of the real estate loans originated by NAB are located in the moderate census tract. The

population of this tract represents forty-five percent of the AA.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Glacier and Pondera Counties</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing	% of Number	% of AA Owner Occupied Housing
Home Purchase & Refinance	0%	0%	90%	38%	10%	50%	0	12%

Source: Loan sample and 2000 U.S. Census data.

<b>Table 3A - Geographic Distribution of Consumer Auto Loans in Glacier and Pondera Counties</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households	% of Number	% of AA Households
Auto Loans	0	28%	95%	18%	5%	18%	0	36%

Source: Loan sample and 2000 U.S. Census data.

<b>Table 3A - Geographic Distribution of Loans to Farms in Glacier and Pondera Counties</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms	% of Number	% of AA Farms
Agriculture Loans	0	0%	80%	9%	20%	26%	0	22%

Source: Loan sample and 2000 U.S. Census data.

## CONCLUSIONS WITH RESPECT TO INVESTMENTS AND SERVICES

Native American Bank became certified as a Community Development Financial Institution (CDFI) as of April 23, 2003. The CDFI certification requires that the financial institution have a primary mission of promoting community development, predominately serving and maintaining accountability to eligible markets.

NAB is also a Community Development Entity (CDE). The CDE certification was received April 14, 2003. Certification as a CDE means that an organization meets the CDE eligibility requirements set forth in the statute governing the NMTC Program and the Fund's CDE Certification Guidance document. These requirements state that a CDE must be a legal entity; must demonstrate a primary mission of serving, or providing investment capital for, low-income communities or low-income persons; and must maintain accountability to low-income communities through their representation on a governing board or, or advisory board(s) to, the CDE.

In 2004, the bank also received a grant from the Bank Enterprise Award. The grant was awarded as a measure of the bank's performance in serving geographically distressed areas.

**Responses to Complaint**

NAB did not receive any consumer complaints about its performance in helping to meet the credit needs of the assessment area during the evaluation period.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of illegal discrimination or other illegal credit practices.