
PUBLIC DISCLOSURE

November 27, 1996

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
Western District
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San Francisco, California 94105
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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 (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 Community Reinvestment Act (CRA) performance of Blackfeet National Bank prepared by The Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of November 12, 1996. 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.”

Blackfeet National Bank exceeds “satisfactory” rating performance standards because of a more-than-reasonable loan-to-deposit ratio, large proportion of lending in the assessment area, and an excellent distribution of credit among borrowers of different income levels and businesses of different sizes. The bank’s record of qualified investments also enhances the bank’s overall rating.

The following table indicates the performance level of Blackfeet National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>BLACKFEET NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes	X		
Geographic Distribution of Loans	X		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Blackfeet National Bank (BNB) is an \$18 million, full-service institution in Browning, Montana. It is the only financial institution on the Blackfeet Indian Reservation. The bank was opened in 1987 to meet the credit needs of the community, as there had not been a financial institution on the Blackfeet Indian Reservation since 1983. Residents had to drive 35 miles to the nearest town for financial services.

The Blackfeet Indian Tribe owns 94 percent of the bank. There are two ATMs within the assessment area, one which serves a low-income area. Two more ATMs operate seasonally in Glacier National Park. Net loans represent 49 percent of total assets. The loan portfolio consists of the following types of loans:

Type of Loans	Percent of Net Loans
Real Estate Loans	32
Commercial Loans	31
Agricultural Loans	26
Consumer Loans	11
Total	100

There are no financial or legal impediments which affect the bank's ability to meet the credit needs of the assessment area. The bank's last Community Reinvestment Act evaluation was July 16, 1993.

DESCRIPTION OF ASSESSMENT AREA

BNB's assessment area (AA) is the entire Blackfeet Indian Reservation, which consists of block numbering areas (BNA) 9761, 9762, and 9771. The AA does not arbitrarily exclude low- or moderate-income areas. The bank is located in a low-income BNA. There are two middle-income areas and no moderate- or upper-income areas.

Block Numbering Area	Total Population	Income as a Percent of Median Family Income
East Glacier Park, Starr School - 9761	3,165	84
Browning - 9762	4,613	44
Heart Butte, Valier - 9771	2,255	84

The non-MSA median family income for the assessment area was \$22,909, compared to the statewide figure of \$27,349 (1990 census information). The unemployment rate for the reservation typically exceeds unemployment levels across the state.

The OCC interviewed three community contacts between November 12 and 14, 1996. The primary credit need identified was loans for housing. In the AA, a large segment of the housing need is met by the Blackfeet Tribe through government housing grants. Historically, this has been due to the inability to use tribal land assets as collateral for real estate loans on reservations. BNB has begun offering a new and innovative product through the Department of Housing and Urban Development (HUD). These "Section 184" loans (Indian Home Loan Guarantee Program), are guaranteed loans for construction, acquisition, or rehabilitation of one-to-four family homes located on trust lands.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Analysis:

BNB's loan-to-deposit ratio (LTD) is more than reasonable given the bank's asset size, financial condition, and credit needs of the assessment area. The average LTD over the last two years is 60 percent with an average total assets of \$14,875,000. This ratio exceeds the LTD ratios of 48 percent and 46 percent at two financial institutions in nearby counties. These similarly-situated banks had average total assets of \$25 million and \$71 million. Another institution in a nearby county had an LTD of 60 percent, but with average total assets of \$50 million. BNB is the smallest financial institution of the four banks and is the only bank located on the Blackfeet Indian Reservation.

Lending in the Assessment Area:

A substantial majority of the bank's loans are to customers living on the Blackfeet Indian Reservation. A study of recent loans revealed the following:

Type of Loan	Percent of Originations, by Number of Loans in Assessment Area
Loans to Small Business	81
Loans to Small Farms	90
Consumer Loans	96
Real Estate Loans	100

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes:

This study also demonstrated that the bank has an excellent record of making loans to customers of all income levels, consistent with the safe and sound operation of the bank. The OCC analyzed a sample of 47 personal consumer loans that were originated between January 1995 and September 1996. The review showed that 72 percent of originations were to low- and moderate-income borrowers, 17 percent to middle-income, and 11 percent to upper-income borrowers. This indicates a strong record of lending to low- and moderate-income borrowers while also meeting the credit needs of middle- and upper-income borrowers.

Income Distribution of Consumer Loans

Income Designation of the Borrower	Percent of Families in Assessment Area	Number of Loans Based on Sample	Percent of Loans Based on Sample
Low	42	17	36
Moderate	17	17	36
Middle	20	8	17
Upper	21	5	11
Total	100	47	100

Note: Low-income borrowers have incomes less than 50 percent of the statewide non-MSA median family income of \$34,700 (1995 HUD information). Moderate-income borrowers have incomes of at least 50 percent and less than 80 percent of median family income. Middle income is at least 80 percent and less than 120 percent. Upper income is 120 percent or more.

BNB also lends to businesses and farms of varying sizes. A sample of commercial and agricultural loans showed a high level of lending to small farms and businesses in the assessment area.

Loan Category	Percent of Loans to Small Farms and Small Businesses	Percent Located in Assessment Area
Commercial Loans	76	81
Agriculture Loans	100	90

Geographic Distribution of Loans:

The geographic distribution of loans reflects excellent dispersion throughout the assessment area, when considering the unique characteristics of the AA and types of credit. Our analysis focused on consumer lending, as 60 percent of all loan originations between January 1995 and September 1996 were in consumer loans. This analysis of consumer loan files showed the following originations within the assessment area:

Geographic Distribution of Loan Originations

Income Characteristic of Area	Percent of Population	Number of Total Loans	Percent of Total Loans
Low	46	38	84
Moderate	0	0	0
Middle	54	7	16
Upper	0	0	0
Total	100	45	100

This clearly shows that BNB has a strong record of consumer lending in the low-income area. The two middle-income BNAs within the AA are largely rural (covering the majority of the Blackfeet Indian Reservation’s 1.5 million acres) and sparsely populated. A review of 10 agricultural loans found eight originations in these middle-income BNAs. A sample of commercial loans found that 65 percent originated in low-income and 35 percent in middle-income BNAs.

Investments and Services:

Activities conducted by the bank’s non-profit affiliate, Blackfeet Reservation Development Fund, Inc. (Blackfeet Fund) make a positive contribution to BNB’s CRA performance through activities that re-vitalize and stabilize the low-income community. The Blackfeet Fund is a Community Development Corporation established with the purpose of creating economic opportunities through small business development and community projects beneficial to low- and moderate-income Indian residents of the Blackfeet Indian Reservation.

The Blackfeet Fund recently received a grant of \$95,000 from the United States Department of Agriculture’s Rural Economic and Community Development program to establish technical assistance to support Blackfeet Indian Reservation businesses. A portion of this grant has been used to promote an educational initiative at the Browning Middle School. A mini-bank was established to teach students about banking and financial responsibility. Also, the Blackfeet Fund has worked in coordination with the Blackfeet Community College to set up adult classes in personal finance. One individual that completed the entrepreneurial courses offered through the college’s Tribal Business Information Center (a program that assists those interested in starting or expanding a business on the reservation) is now completing the process to obtain an Small Business Administration loan for a new small business in the

community. Each of these activities is a step toward improving economic development and upgrading the economy on the reservation.

A director of BNB played a key role as director of the Blackfeet Community Foundation. This foundation received a \$5,000 grant from the Montana Power Company/Entech Foundation to support and encourage community vitality projects by and for the Blackfeet community.

Compliance with antidiscrimination laws:

We tested the bank's compliance with the Equal Credit Opportunity Act and the Fair Housing Act. No violations of the substantive provisions of these antidiscrimination laws and regulations were identified.