



Comptroller of the Currency
Administrator of National Banks

Midwestern District
2345 Grand Avenue, Suite 700
Kansas City, Missouri 64108

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

July 25, 1996

Norwest Bank Iowa, National Association
Charter Number 2307
666 Walnut Street
Des Moines, Iowa 50304

<p>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, conclusions, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Norwest Bank Iowa, National Association, Des Moines, Iowa prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of July 25, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, Norwest Bank Iowa, National Association (Norwest) has an:

- Outstanding Record of Meeting Community Credit Needs.

The purpose of CRA is to ensure that financial institutions help meet the credit needs of their local communities. We rated this institution's CRA record as Outstanding because:

- Norwest, in conjunction with its affiliate, Norwest Mortgage, Inc. (NMI), originates a significant volume of Home Mortgage Disclosure Act (HMDA) loans within their Iowa markets. Combined, they are the market leader in originating HMDA loans in Iowa;
- Norwest and NMI are the market leaders in originating HMDA loans in low- and moderate-income (LMI) census tracts (CTs) and to LMI applicants; and
- Norwest actively participates in community development activities, providing needed leadership, technical and financial support.

Bank Profile

Norwest is a wholly-owned subsidiary of Norwest Corporation, a multi-bank holding company headquartered in Minneapolis, Minnesota. The bank is a full-service financial institution with retail credit and services as its primary business focus. Norwest has 12 community delineations, five in Metropolitan Statistical Areas (MSA) and seven in non-MSA markets. The five MSA delineations include markets in Des Moines, the Quad Cities, Cedar Rapids, Cedar Valley, and Sioux City. Non-MSA markets include the communities of Ames, Atlantic, Denison, Fort Dodge, Marshalltown, Mason City and Ottumwa. Fifty-three percent of Norwest's deposit base originates from the Des Moines, Quad Cities and Cedar Rapids markets. Norwest has approximately 10% of all Iowa banking deposits.

As of March 31, 1996, Norwest had approximately \$6.3 billion in total assets. The bank's loan-to-deposit ratio was 97% with a loan mix of 20% real estate, including 11% 1-4 family residential; 21% commercial; 56% consumer; 2% agricultural and 1% other. Most of the bank's consumer loans are credit card receivables as Norwest houses the credit card operations and receivables for all Norwest affiliates.

NMI originates most of the residential real estate loans in the bank's markets through 41 loan originators. Originators are located in each market, with Des Moines having a total of 15. NMI lending activity within the bank's delineated community was considered in this Evaluation.

Community Profiles

Norwest has 12 delineated communities in Iowa. The delineated communities include all or portions of 25 counties in Iowa, one county in South Dakota, and one county in Nebraska.

All of the markets have several common credit needs, identified by bank management and verified through examiner contact with community organizations. These credit needs include loans for small business as well as home purchase and home improvement projects. The economies of the markets are stable with unemployment in the five MSAs at 3%. Usually, competition within each market is significant. We used the following 1995 delineations in this Evaluation of the bank's CRA performance.

Des Moines

The Des Moines delineated community consists of Polk, Warren and Dallas Counties located within the Des Moines, IA MSA #2120. Based on 1990 Census data, the population of this area was approximately 393,000. Minorities comprise 7% of the population, including approximately 4% African Americans. The Des Moines MSA contains 98 CTs, of which 19 are designated as LMI. The Department of Housing and Urban Development's (HUD) 1995 MSA Median Family Income for the Des Moines MSA is \$36,300. According to bank prepared reports, Norwest has about 23% of the banking deposits within the Des Moines market.

Quad Cities

The Quad Cities delineation includes Scott County located within the Quad Cities, IA MSA #1960. Based on 1990 Census data, the population of this area was 151,000. Minorities comprise 9% of the population, including 5% African Americans. The Quad Cities delineated community contains 39 CTs, of which 10 are LMI. HUD 1995 MSA Median Family Income for the Quad Cities MSA is \$33,600. According to bank reports, Norwest has about 10% of the banking deposits within the Quad Cities market.

Cedar Rapids

The Cedar Rapids delineated community consists of portions of Linn and Benton Counties located within the Cedar Rapids, IA MSA #1360. Based on 1990 Census data, the population of this area was 169,000. Minorities comprise 4% of the population, including 2% African Americans. The Cedar Rapids delineated community contains 40 CTs, of which 8 are LMI. HUD 1995 MSA Median Family Income for the Cedar Valley MSA is \$35,100. According to bank reports, Norwest has about 18% of the banking deposits within the Cedar Rapids market.

Cedar Valley (Cedar Falls/Waterloo)

The Cedar Valley delineated community consists of Black Hawk and portions of Bremer, Butler, and Grundy Counties located within the Waterloo/Cedar Falls, IA MSA #8920. Based on 1990 Census data, the population of this area was 124,000. Minorities comprise 9% of the population, including 7% African Americans. The Cedar Valley delineated community contains 36 CTs, of which 12 are LMI. HUD 1995 MSA Median Family Income for the Cedar Valley MSA is \$32,400. According to bank reports, Norwest has about 15% of the banking deposits within the Cedar Valley markets.

Sioux City

The Sioux City delineated community consists of portions of Woodbury and Plymouth Counties in Iowa, portions of Dakota County in Nebraska, and portions of Union County in South Dakota. The Sioux City delineation is within the Sioux City, IA MSA #7720. Based on 1990 Census data, the population of this area was 115,000. Minorities comprise 8% of the population, including 2% African Americans. The Sioux City delineated community contains 30 CTs, of which 8 are LMI. HUD 1995 MSA Median Family Income for the Sioux City MSA is \$29,300. According to bank reports, Norwest has about 22% of the banking deposits within the Sioux City market.

NonMSA Markets

Norwest's Mason City, Fort Dodge, Ottumwa, Ames, Marshalltown, and Denison markets are not located in MSAs. These communities rely primarily on agriculture for support, but a variety of industries provide modest diversification from agriculture. Unemployment rates for counties in these communities ranged from 5% to 8%. The nonMSA communities contained 7 LMI Block Numbering Areas (BNA's). Statewide 1995 nonMSA Median Family Income for these areas was \$37,000. Bank reports show local market deposit share varied widely within the nonMSA markets; from Fort Dodge with a 23% deposit market share to Ames with .63%.

The Atlantic delineation includes Cass County and portions of Pottawattamie County. Pottawattamie county comprises part of the Omaha/Council Bluffs MSA #5920. Though Norwest includes this MSA in their Atlantic delineation, they do not originate many loans in the Omaha/Council Bluffs market. This is because another Norwest affiliate, Norwest Bank Nebraska, National Association, has a strong market presence.

Reasonableness of Delineated Community

Norwest's delineated communities are reasonable and do not arbitrarily exclude any LMI areas. The delineations include areas surrounding branch locations and contain approximately 78% of the bank's 1995 HMDA loan originations. According to 1995 HMDA data, the bank originated home loans in 97% of the LMI CTs found within their 12 delineated communities.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- Management maintains ongoing, meaningful contact with a wide range of individuals and groups representing various community interests.

Norwest has developed a process that incorporates surveys, focus groups, and direct contact with individuals representing LMI neighborhoods, housing services, small businesses and community development and government agencies. Often, bank employees are members of or serve on governing boards and committees of these organizations. This allows the bank to receive ongoing information on community credit needs. The bank's 1995 Community Reinvestment Act Statement lists these organizations and the nature of the bank's involvement with them.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- The Board of Directors and senior management have developed an effective program to meet the credit needs of the bank's communities.

The bank uses the Norwest Corporation Community Reinvestment Act Community Marketing Initiative (CMI) planning process. This process provides the framework for determining community credit needs and developing the bank's response to those needs. The plan is monitored quarterly, updated annually and incorporates information such as demographic data, ascertainment efforts, marketing strategies, and lending goals. A CMI plan is prepared for each market in order to respond to any special local needs.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- The Board and senior management have implemented a sound marketing program designed to reach all segments of Norwest's communities.

Management annually develops a marketing plan designed to promote various products and services throughout the bank's communities. Regional advertising, directed by Norwest corporate marketing staff, focuses on broad base general media activities including television, radio, and major newspapers. Bank-wide direct mail, brochures and product point-of-sale information are also produced.

Managing officers initiate local marketing efforts. Working with the bank's marketing unit, they develop a customized marketing plan designed for their local market which includes newspapers, direct mail, and participation in community events. This allows each market to tailor its marketing efforts to its community. The bank has also established an effective referral network for marketing its Community Homeownership Program (CHOP) loan product through personal contact with realtors and community organizations.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- Norwest has made significant efforts to address the housing, small business, and consumer credit needs of its communities.

Norwest offers and originates a comprehensive array of loan products to meet community credit needs. Loan types include loans for housing, consumer, small business and small farm needs. Particularly noteworthy, Norwest has originated a large volume of home purchase

loans to LMI individuals and LMI areas through its CHOP. The program is designed to help LMI borrowers obtain first mortgage home financing by using flexible underwriting criteria. In 1995, Norwest originated 201 CHOP loans totaling \$7.4 million. As of March 31, 1996, Norwest had originated another 34 CHOP loans totaling \$1.3 million. Since the program's inception in May of 1991, Norwest has originated 1,672 CHOP loans totaling \$58 million. Please refer to the bank's CRA Statement for details regarding other loan products.

Norwest and NMI (Norwest/NMI) have also originated a significant portion of its markets' aggregate HMDA loans. Based on 1994 aggregate HMDA data for all lenders, Norwest/NMI was the market leader in its five delineated MSA markets with 12% of all HMDA originations. In Norwest's two largest markets, Des Moines and Quad Cities, Norwest/NMI ranked second in Des Moines with 9% of HMDA originations, while in the Quad Cities they ranked first with an 18% market share. Norwest/NMI originated a total of 4,491 HMDA loans in their MSA delineations during 1994, and 4,477 in 1995. In 1994, Norwest/NMI's closest competitor originated 2,801 HMDA loans in the five MSA markets Norwest/NMI serves. Aggregate market information is not available for nonMSA markets. Also, 1995 aggregate HMDA market share information is not yet available.

Norwest also originates many direct and indirect consumer loans. According to bank prepared data which excludes credit card receivables, in 1994 Norwest originated 120,508 direct and indirect consumer loans totaling \$698 million. In 1995, Norwest originated 119,009 direct and indirect consumer loans totaling \$791 million. Norwest originated 73% of these loans within its delineated communities.

In addition to retail originations, Norwest also makes loans to small businesses and small farms. Norwest tracks small business and small farm originations by using the Consolidated Report of Condition definitions. As of June 30, 1995, Report of Condition information detailed that Norwest had \$395 million outstanding to small businesses and \$115 million to small farms. By number, 78% of these small business and small farm loans originated in amounts less than \$100,000.

Credit card receivables also make up a significant portion of Norwest's lending. As of the most current quarter-end data available, March 31, 1996, Norwest had \$1.5 billion in credit card outstandings and another \$4.7 billion in commitments.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- Norwest actively participates in government-related lending programs for small business and housing.

Norwest has shown strong support for Small Business Administration (SBA) loan programs. Norwest has been designated as an SBA Preferred Lender since 1988 and participates in the SBA 7A and Certified Lender Programs. They have originated several loans through the SBA Low Documentation Loan Program since its inception in July of 1994. In 1992, Norwest was designated as the most active SBA lender in Region 7, which consists of Nebraska, Iowa, Kansas and Missouri. In 1995, Norwest originated 131 SBA loans totaling \$12.8 million, a 100% dollar increase in originations since 1992.

Norwest/NMI originates many government-sponsored housing program loans. The following agencies sponsor these programs: the Federal Housing Authority, the Department of Veteran's Affairs, and the Farmers Home Administration. Based on 1994 HMDA data, Norwest/NMI ranked first in government program home loan originations in the bank's MSA delineations with an 18% market share. Other major competitors had market shares of 13% and 11%. In Des Moines, NMI ranked third in government program originations with a 13% market share, while the Quad Cities ranked first in government program home loan originations with more than a 33% market share. Aggregate market share data is not available for 1995.

Norwest/NMI originated a total of 596 HMDA government program loans in their MSA delineations during 1994 and 464 in 1995. In 1994, Norwest/NMI's closest competitor originated 423 government HMDA loans in the five MSA markets Norwest/NMI serves.

Norwest also continues to originate student loans through the Government Guaranteed Student Loan program. In 1995, Norwest originated 4,847 loans totaling \$14 million.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- Norwest shows a good distribution of loans within and throughout its delineated communities, including low- and moderate-income areas.

In 1995, Norwest/NMI recorded HMDA originations in 97% of the LMI CTs in the bank's markets. Norwest/NMI was the market leader in 1994 for all HMDA originations in LMI CTs and to LMI borrowers in their MSA markets, with 13% and 14% of the market share, respectively. The closest competitor held 5% and 7% of the market share in these two

categories, respectively. Norwest/NMI was the only major mortgage loan originator in Iowa that had a greater share of LMI CT and LMI borrower originations than its overall market share of originations.

In 1994, Norwest/NMI originated 36% of its HMDA loans to LMI applicants and 11% in LMI CTs. This level of lending to LMI individuals far exceeds the percentage (18%) of LMI individuals living in these MSAs.

In addition to HMDA data, bank generated reports of 1994 direct and indirect loans show a good distribution of applications and originations throughout almost every geography in Norwest's delineated communities. As of year-end 1994, the bank had retail loans outstanding in more than 98% of all MSA LMI CTs.

Norwest originates a good portion of its loans within its communities. Based on 1995 HMDA information, Norwest originated 78% of its HMDA reportable loans within the bank's delineated communities. They originated a total of 97% within the State of Iowa. According to bank reports, 73% of the 1995 direct and indirect consumer loans originated within Norwest's delineated communities.

Managing officers of individual markets perform annual analyses of the distribution of HMDA and retail loan applications and denials for all CTs and BNAs in their markets. They use this information to develop and refine their CMI plans to address any potential problems with lending distribution.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- Norwest's offices are readily accessible to all segments of the community. Bank management regularly reviews business hours and services to ensure they meet the customers' needs.

Norwest operates forty-nine branches in Iowa, including two loan production offices, and 62 automated teller machine (ATM) locations. Fourteen, or 29% of the branches are in or very near LMI geographies. Certain locations offer trust, investment and insurance services through the bank or affiliated companies. Several ATMs include a Spanish language option. In addition, Sioux City and Des Moines locations have Spanish speaking staff to help Hispanic customers.

Market managers regularly review service delivery and branch hours to ensure hours meet local needs. The bank also offers 24-hour toll-free phone service for taking loan applications,

conducting deposit transactions, and making limited credit transactions. Refer to the Community Profile section and the bank's Fee and Information Schedule for specific information on branch locations and hours.

No branch closings have occurred since the last CRA Evaluation. However, Norwest did move one branch in Mason City without impacting the bank's accessibility.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- We found no practices intended to discourage applicants for any type of credit listed on the bank's CRA Statement.

The bank solicits applications from all portions of its communities, including LMI areas. Corporate policies set forth basic fair lending requirements. All loan-related employees receive regular, comprehensive training on fair lending regulations. The bank has an independent second review program for all potential HMDA reportable denials.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- The bank meets the substantive provisions of antidiscrimination laws and regulations.

We did not identify any instances in which the bank denied credit to similarly situated applicants based on the applicant's gender. We performed a comparative analysis of direct and indirect auto loan applications to determine whether applicants with comparable qualifications received similar treatment. The sample included 28 denied female applications and 102 approved male applications originated between January 1, 1995 and October 31, 1995.

V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- Norwest actively participates in community development and redevelopment programs, providing leadership, technical expertise and financial support throughout all of its communities.

Examples of the results of such activities since Norwest's last Public Evaluation include:

- Financing eight LMI housing projects, currently under construction in Iowa, which will provide 454 housing units, at a cost of \$1.67 million;
- Obtaining and then distributing a \$1.5 million Affordable Housing Program Grant from the Federal Home Loan Bank of Des Moines to provide down payment and/or closing cost assistance to 750 LMI home buyers;
- Attracting new business into Dennison, Iowa by working with the Crawford County Development Corporation and obtaining state and federal business incentive grants and also participating in a \$415,000 loan to a meat processor which now employs 60 people;
- Extending \$100,000 to finance the construction of a new Community Kitchen facility in Mason City which serves meals to the homeless and has a food pantry for LMI individuals;
- Extending a \$2 million dollar loan to Ho Chunk, Inc., a Winnebago Tribal Corporation;
- Originating a \$495,000 loan to construct a 24-unit apartment building for LMI individuals in Marshalltown, Iowa, \$490,000 loan to renovate a key downtown building, and leading the effort to establish a \$500,000 Housing Improvement Fund aimed at LMI homeowners; and
- Norwest Investment Services, Inc. (NISI), an affiliate of Norwest Bank Iowa, provided \$472 million in financing to help meet the credit needs of the State of Iowa, and its counties, municipalities, school districts, universities, and community colleges in 1995 and another \$97 million through July 19, 1996.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- Norwest's efforts to meet community credit needs are consistent with its size and resources.

Norwest has sufficient resources to meet the credit needs of its community. The bank also has access to additional resources through its Norwest affiliates, including NMI, NISI, Norwest Funding, Inc. and Norwest Business Credit, Inc. Norwest has demonstrated its willingness to support the development and implementation of programs and products to meet community growth and redevelopment needs. By state law, Norwest is limited to hold no more than 10% of Iowa's aggregate deposits. No other legal impediments or factors limit the bank's efforts.

Assessment Factor L - Any other factors that, in the regulatory authority's judgement, reasonably bears upon the extent to which an institution is helping to meet the credit needs of its entire community.

- Norwest has engaged in other meaningful activities that contribute to its efforts to help meet the community's credit needs.

Such activities have included sponsoring home ownership and small business training sessions in which Norwest staff members often participate. The bank also provides financial assistance to organizations that support the needs of LMI people.

ADDITIONAL INFORMATION

Examination Profile

The scope of our examination included an analysis of the bank's CRA performance since October 1994, the date of the prior CRA examination. We reviewed information prepared by bank management and obtained through contacts with community groups and government offices.

Home Mortgage Disclosure Act

Federal law requires the bank to gather home loan data for the five MSAs that Norwest serves. Individuals may obtain this information from the following offices:

Des Moines MSA #2120:
Mary Welsh, Director
Citizens for Community
Improvement, Inc.
2301 Forest Avenue
Des Moines, IA 50311-3402
(515) 225-0800

Quad Cities MSA #1960:
Cynthia Coe
Information Services
Davenport Public Library
321 Main Street
Davenport, IA 52801
(319) 326-7832

Cedar Rapids MSA #1360
Office of the City Clerk
2nd Avenue Bridge
City Hall - 3rd Floor
Cedar Rapids, IA 52401
(319) 398-5060

Cedar Valley MSA #8920
Kenneth E. Lind
Iowa Northland Regional
Council of Governments
531 Commercial-Suite 800
Waterloo, IA 50701
(319) 235-0311

Sioux City MSA #7720
Don Meisner
SIMPCO
P.O. Box 447
Sioux City, IA 51102
(712) 279-6286

The Office of the Comptroller of the Currency (OCC) is the regulatory agency responsible for the supervision of this bank. If you should have comments regarding this bank's performance under the CRA or questions regarding the Act, contact the OCC Midwestern District Office, 2345 Grand Avenue, Suite 700, Kansas City, Missouri 64108.