



**Comptroller of the Currency
Administrator of National Banks**

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PUBLIC DISCLOSURE

January 21, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The United States National Bank of Red Lodge
Charter Number 9841**

**602 N. Broadway Street
Red Lodge, Montana 59068**

**Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105**

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

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 **The United States National Bank of Red Lodge** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 21, 1998. 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 “**Satisfactory.**”

The following table indicates the performance level of **The United States National Bank of Red Lodge** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The United States National Bank of Red Lodge Performance Levels		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	✓		
Lending in Assessment Area		✓	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		✓	
Geographic Distribution of loans		✓	
Response to Complaints	Not Applicable. There were no complaints related to CRA since the last examination.		

DESCRIPTION OF INSTITUTION:

The United States National Bank of Red Lodge (USNB) is a community bank located in south central Montana. On September 30, 1997, the bank's assets were \$36 million, with \$27 million in loans. The bank is 98 percent owned by Silver Run Bancorporation, Inc., a one-bank holding company.

USNB's business focus is residential lending, which comprised 40 percent of loans originated from June 30, 1996, through December 31, 1997. Other significant lending areas include commercial, commercial real estate, and unimproved land. These loans comprised 18 percent, 15 percent, and 11 percent respectively of originations in the same time period.

DESCRIPTION OF THE UNITED STATES NATIONAL BANK OF RED LODGE'S ASSESSMENT AREA:

USNB's assessment area is in a nonmetropolitan statistical area (MSA) and consists of three block numbering areas (BNA), which is a portion of Carbon County. One BNA is designated as moderate income and the other two are designated middle income. Red Lodge is the county seat for Carbon County. The population of the assessment area is 4,069 based on 1990 census data. The majority of the population is centered in the city of Red Lodge. Red Lodge is 60 miles from Billings, one of Montana's major cities.

The demographic makeup of the county is 98 percent White, 1 percent Hispanic, and 1 percent American Indian. The 1997 U.S. Census data shows non-MSA median family income for Montana is \$36,100.

The economic base of the assessment area is stable. The major industry is tourism. Other minor industries are county government, the local hospital, and agriculture. The median housing value is \$59,730. Competition within the assessment area includes one credit union and a branch of Norwest Bank.

The community contacts interviewed during this examination included a grassroots community group established to solve community problems, and the Economic Development District that includes Carbon County. Both interviewees indicated the primary credit needs of the community were being met by the local financial institutions. Both contacts did indicate that affordable housing for low- and moderate-income individuals was difficult to obtain due to high housing costs. The Economic Development District also indicated that small business loans were a need. According to the grassroots community group the average home cost in 1997 was \$140,000, but the average income for a family of four was only \$31,000.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

USNB has maintained a loan-to-deposit ratio that is substantially higher compared to five similarly situated banks. USNB's average loan-to-deposit ratio (expressed as a percentage) for the eight quarters ending June 30, 1997, is 82 percent. The similarly situated banks had loan-to-deposit ratios of 72, 67, 58, 54, and 54 percent for the same time period.

Lending in the Assessment Area (AA)

USNB originated a reasonable percentage of loans within the bank's AA. Based on our sample of 766 loans, approximately 74 percent of the money lent by the bank during the 18 months ending December 31, 1997, was to borrowers within the AA. We made this determination by reviewing a customized report by zip code of all loans originated from June 30, 1996, through December 31, 1997, and correlating the information to the AA.

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

The bank's distribution of loans, given the demographics of the assessment area, reflects satisfactory penetration among individuals of different income levels, and to businesses and farms of different sizes.

The following table shows that approximately 52 percent of the families in the assessment area are low or moderate income. Our sample included 20 general installment loans and 20 residential real estate loans. In our sample, 18 general installment loans were in the assessment area, but two did not have income information available. All of the residential real estate loans were in the assessment area. Of the loans in the assessment area with income information, the bank originated 36 percent of their loans to low- and moderate-income families. Because the bank is located in a middle-income BNA, and the moderate income BNA is the most distant from the bank, we conclude that the distribution is reasonable.

Income Category (1995 Annual Income)*	Families in Assessment Area (percent)	Bank Loans to Families by Income Category (percent)
Low- Less than 50% of median family income. (<\$18,050)	27	17
Moderate - 50-80% of median family income. (\$18,051 - \$28,880/yr)	25	19
Middle - 80-120% of median family income. (\$28,881 - \$43,320/yr)	17	25
Upper - Greater than 120% of median family income. (>\$43,321/yr.)	31	39
Total	100	100

* Annual income = 1990 Census median family income of MSA adjusted to 1997 family income estimates by Housing and Urban Development, U.S. Government.

We also reviewed a sample of 15 business-purpose loans and 10 agricultural-purpose loans. The sample was used to assess the distribution of loans to small farms and businesses based on annual revenues. The CRA defines small farms to be those with less than \$500,000 in annual gross revenue. Small businesses are those with less than \$1 million in annual gross revenue. In our sample, all loans were located within the AA and had gross revenue information available. The following chart illustrates the distribution of loans sampled. The majority of these loans are to small businesses and small farms.

Gross Revenue (000's)	Business loans (percent)	Agricultural loans (percent)
\$0 - 100,000	40	60
\$100,000 - 250,000	27	30
\$250,000 - 500,000	33	0
\$500,000 - 1,000,000	0	10
>\$1,000,000	0	0
Total	100	100

Geographic Distribution of Loans

The geographic distribution of loans is reasonable. Sixteen percent of the loans originated by USNB are located in the moderate-income BNA. The population of this area represents 22 percent of the AA. The moderate-income BNA is the most distant from the bank's office and includes the town of Roberts. Competition also exists for that BNA from a bank in the town of Joliet, which is equidistant to Roberts.

Record of Complaints and Compliance with Antidiscrimination Laws

There were no complaints about the bank's CRA performance from the public since the previous examination. We did not find any violations of antidiscrimination laws and regulations.