



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**

February 11, 1997

**Norwest Bank Red Wing, National Association
Charter Number 1487
P.O. Box 95
Red Wing, Minnesota 55066**

<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 Red Wing, National Association, Red Wing, Minnesota** 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 February 11, 1997. 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 low- and moderate income (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 Red Wing, 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 Outstanding because:

- Norwest, in conjunction with its mortgage lending affiliate, Norwest Mortgage, Inc. (NMI), is a market leader in originating mortgage-related loans within the delineated community;
- Norwest originates a significant volume of consumer installment and small business loans within its delineated community; and
- Norwest demonstrates strong leadership through its ongoing participation in significant community development and redevelopment activities within its delineated community.

Bank Profile

Norwest is a wholly-owned subsidiary of Norwest Corporation, a multi-bank holding company headquartered in Minneapolis, Minnesota. Norwest Corporation had total assets of \$80 billion as of December 31, 1996.

Norwest operates one full-service banking office in Red Wing, Minnesota. Norwest is a business and consumer-oriented bank with \$105 million in assets, \$50 million in loans, and \$97 million in deposits as of June 30, 1996. As of the same date, the loan portfolio mix was 50% real estate, 23% commercial, 22% consumer, and 5% other. In addition, 87% of Norwest's deposits consist of traditional core deposits.

Norwest affiliates provide lending services throughout the bank's delineated community. NMI originates most of the purchase money and refinance residential real estate loans. Other affiliates provide student loan, credit card, and business financing, as well as trust and investment services.

Community Profile

The bank's delineated community consists of parts of Goodhue County, Minnesota and Pierce County, Wisconsin. It includes the city of Red Wing, Minnesota and an immediate twelve mile area surrounding Red Wing. The community delineation includes all of Block Numbering Areas (BNAs) 9801 and 9802, parts of BNAs 9803, 9804, and 9806 in Minnesota, and parts of BNAs 9606, 9607, and 9608 in Wisconsin. The Wisconsin portion of the bank's community delineation is part of the Minneapolis/St. Paul Metropolitan Statistical Area (MSA). However, this area is a great distance from the population centers of the MSA and is more similar to the community of Red Wing than the larger communities in that MSA.

Common credit needs throughout the community are affordable housing loans for low- and moderate-income (LMI) people, loans for new businesses, as well as loans to support the capital and inventory of existing businesses. Based on 1990 census data, the population of this area was approximately 41,447 and minorities comprise 2% of the population. The community contains nine BNAs, of which two are designated as moderate income. The Department of Housing and Urban Development's (HUD) 1995 Statewide Non-MSA Median Family Income is \$34,100.

Reasonableness of Delineated Community

Norwest's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The delineation includes areas surrounding the banking office and contains approximately 66% of all direct and indirect consumer loans and lines of credit originated in 1995. This ratio is based only on those loans for which Norwest determined the location of the associated property or borrower.

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 direct contact with individuals representing 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 1996 Community Reinvestment Act Statement lists the nature of these organizations and 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 community.**

Norwest uses the 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 branch 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 the delineated community.**

Management annually develops a marketing plan designed to promote various products and services throughout the bank's community. Advertising, directed by Norwest's corporate marketing staff, focuses on broad-based general media 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 a strong effort to address the housing, small business, small farm, and consumer credit needs of its community.**

Norwest has assumed a leadership role in its community by originating a wide array of loan products to meet community credit needs. Loan types include loans for housing, consumer, small business, and small farm needs.

Norwest/NMI originated a high volume of conventional purchase money, refinance, and home improvement real estate related loans in 1994, 1995, and 1996. In 1994, Norwest/NMI originated 72 conventional purchase money real estate loans for \$5.7 million, 82 loans for \$7.1 million in 1995, and 89 loans for \$8 million in 1996.

Based on reports obtained from a local title company serving the bank's delineated community, Norwest is the market leader in originating residential real estate loans within Goodhue County. The reports track residential real estate mortgage loans closed in Goodhue County. Among the 68 lenders listed on the report, Norwest/NMI had the highest number of mortgage filings in Goodhue County during 1994 with a 26% market share. The closest competitor achieved an 8% market share. In 1995, Norwest maintained its dominance with a 25% market share, while its closest competitor held a 7% market share.

In addition to conventional real estate loan products, Norwest offers flexible real estate credit terms and conditions to LMI individuals through its CHOP. During 1994, Norwest/NMI originated 24 CHOP loans, or \$1.5 million, and 13 loans, or \$714,000, in 1995. For additional historical CHOP lending information, please refer to Norwest's 1994 and 1995 CRA Statements.

Norwest also originates direct and indirect consumer installment loans and lines of credit. Per year-end 1995 bank-prepared reports, Norwest had outstanding loan and line balances totaling \$13.6 million to persons living within its delineated community. This total represents 72% of all consumer loans and lines of credit. These figures include home improvement loans. During fiscal year 1995, Norwest originated 965 new direct and indirect consumer loans and lines of credit totaling \$7.9 million.

Norwest makes loans to small businesses and small farms and tracks originations using the Consolidated Report of Condition definitions. The June 30, 1996 Report of Condition shows Norwest had \$17 million outstanding, or 266 loans, to small businesses and \$2.8 million, or 89 loans, to small farms. By number, 73% of the small business and 82% of the small farm loans originated in amounts less than \$100,000. Currently, the bank does not have a method to determine what portion of these loans have been extended to applicants within Norwest's community delineation.

Norwest Bank South Dakota, National Association extends conventional student loans on behalf of Norwest. No annual fee student credit cards are offered to Norwest applicants through Norwest Bank Iowa, National Association.

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

- **Norwest periodically participates in government-related lending programs for small businesses and housing.**

NMI periodically participates in government-related real estate loan programs. During 1995, NMI originated 10 loans totaling \$660,000 to applicants for government-related real estate loans. In 1994, NMI originated 15 loans for \$900,000. Government-related real estate loan programs include those sponsored by the Federal Housing Authority (FHA), the Department of Veteran's Affairs (VA), the Farmers Home Administration (FHA) for purchase money and refinance purposes, and the Minnesota Housing Finance Agency's First Time Home Buyer Loan Program.

In addition to traditional business banking, Norwest originates Small Business Administration (SBA) guaranteed loans. Norwest is an SBA-designated Preferred Lender. The table below details lending volume for 1994 and 1995:

	<i>1994 SBA Lending</i>		<i>1995 SBA Lending</i>	
	<i>Numbers</i>	<i>Dollars (000s)</i>	<i>Numbers</i>	<i>Dollars (000s)</i>
<i>504 Program</i>	<i>0</i>	<i>0</i>	<i>1</i>	<i>\$199</i>
<i>7(a) Program</i>	<i>1</i>	<i>150</i>	<i>1</i>	<i>\$166</i>
<i>LowDoc Program</i>	<i>1</i>	<i>100</i>	<i>2</i>	<i>\$147</i>
<i>Total</i>	<i>2</i>	<i>\$250</i>	<i>4</i>	<i>\$512</i>

Norwest Bank South Dakota, National Association continues to originate student loans through the government guaranteed Stanford loan program on behalf of Norwest.

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/NMI shows a good distribution of loans within its delineated community.**

Norwest originates a good portion of its loans within its community. According to bank generated reports on 1995 originations, 66% of all outstanding direct and indirect consumer loans and lines of credit were within Norwest's delineated community. This ratio is based only on those loans for which Norwest determined the location of the associated property or borrower.

Bank-generated reports also illustrate a reasonable loan distribution throughout the entire delineated community. In 1995, 48% of all direct and indirect loans and lines of credit originated in middle-income BNAs and 52% originated in upper-income BNAs. Presently, Norwest does not track its distribution of loans to borrowers of different income levels.

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

- **Norwest's office is reasonably accessible to all segments of its community. Bank management regularly reviews business hours and services to ensure they meet the customers' needs.**

As of December 31, 1995, Norwest operated one full service banking office in its delineated community. Norwest offers trust, investment, and insurance services through the bank or affiliated companies.

Market managers regularly review service delivery and office hours to ensure they meet local needs. The bank also offers 24-hour toll-free phone service for conducting deposit transactions, making limited credit transactions, and receiving account information. Refer to the Norwest Location Guide for specific information on the office location and hours.

Norwest did not open or close any branch offices during the period of this review.

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 community. 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 residential real estate 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 Norwest denied credit to similarly situated applicants based on the applicant's gender. We performed a comparative analysis of indirect auto loan applications to determine whether applicants with comparable qualifications received similar treatment. The sample included 28 denied female applications and 112 approved male applications originated between November 1, 1995 and October 31, 1996.

V. COMMUNITY DEVELOPMENT

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

- **Norwest demonstrates strong leadership through its active participation in community development and redevelopment programs which benefit its community.**

Examples of community development and redevelopment involvement by Norwest include:

- Participating in the Minnesota Housing Finance Agency HOME Rental Rehabilitation Program. Using this state-sponsored program, the Red Wing City government has targeted an economically distressed area located on the eastern side of Red Wing for redevelopment. The HOME Rental Rehabilitation program is a public/private partnership that uses Small Cities Development Block Grant funds and private loans to rehabilitate residential and commercial rental properties. The grants are for five years and do not have to be repaid as long as the property owner maintains low-income tenants.

During this evaluation period, Norwest provided loans and/or matching grants totaling \$1.2 million to rehabilitate 60 units of low-income housing. According to officials at Red Wing's Housing and Redevelopment Authority, Norwest is the leading participant in this highly successful community redevelopment program.

- Providing \$300,000 in construction and permanent financing to a transitional housing shelter for women and children of Goodhue County. The shelter houses women and children who are victims of abusive relationships, particularly LMI families who can not afford hotels or other types of private temporary housing. Also, the shelter provides short-term transitional housing for homeless women and children.
- Providing loan servicing for the CAP Loan Fund. This program is sponsored by the McKnight Foundation and the Three Rivers Community Action Corporation and provides below market rate loans to LMI families to assist in obtaining and maintaining employment. These loans range from \$100 to \$2,000 and are used for automobile repairs, uniforms, tools and child care expenses. The program serves the twenty-county area of Southeast Minnesota including the Minnesota portions of the bank's community delineation. Currently, Norwest services 62 loans totaling \$77,000.

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; Norwest Investment Services, Inc.; 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. 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 bear 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 credit needs of its community.**

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 primarily consisted of an analysis of the bank's 1994 and 1995 CRA performance. We also considered more recent information on a case-by-case basis. We reviewed information prepared by bank management and obtained through contacts with community groups and government offices.

Home Mortgage Disclosure Act

This bank is not subject to the requirements of the Home Mortgage Disclosure Act (HMDA).

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.