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Comptroller of the Currency  
Administrator of National Bank

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SMALL  
BANK

## **Public Disclosure**

July 20, 1998

### **Community Reinvestment Act Performance Evaluation**

**Mountain West Bank, N.A.  
Charter Number 22141**

**1225 Cedar Street  
Helena, Montana 59601**

**Office of the Comptroller of the Currency  
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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 CRA performance of the **Mountain West Bank, N.A.**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of June 1, 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 "**Outstanding.**"

Our evaluation is based on the following;

- The bank's average loan-to-deposit ratio is well above similarly situated banks,
- A substantial majority of the bank's loans are made in the assessment area,
- The bank has an outstanding record of lending to small businesses and participating in home loan programs that benefit borrowers in the assessment area, including those with low- or moderate-income, and
- The bank demonstrates a reasonable geographic lending distribution within the assessment area.

The following table indicates the performance level of **Mountain West Bank, N.A.**, with respect to each of the five performance criteria.

Small Institution Assessment Criteria	Mountain West Bank 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 income and to businesses of different sizes	X		
Geographic distribution of loans		X	
Response to complaints	No complaints have been received since the prior examination.		

## Description of Institution

Mountain West Bank, N. A., (MWB) is an independently-owned community bank which opened in 1991. The bank's main office is located in Helena, with a branch office in Great Falls. In addition to the two offices, bank personnel offer limited services at a Helena retirement home twice a week. As of July 31, 1998, the bank had total assets of \$167 million, with loans of \$134 million and \$146 million in deposits. MWB operates five ATM machines, two of which provide 24-hour account access for customers. There are no constraints on the bank's ability to meet credit needs within its assessment area.

MWB focuses on small business, residential real estate, and consumer lending. In addition, the bank participates in various state and federal lending programs which benefit consumers, businesses, and agricultural producers in the assessment area. As of July 31, 1998, the bank's loan portfolio, as a percent of total dollars outstanding, was distributed as follows; commercial and commercial real estate loans - 71 percent, consumer loans - 15 percent, agricultural loans - 7 percent, and residential real estate loans - 7 percent.

## Description of Assessment Areas:

MWB has two assessment areas (AA). The Helena branch office AA consists of seventeen adjoining block numbering areas (BNA's) in and around Helena. This AA includes portions of Lewis and Clark, Broadwater, and Jefferson counties.

The Great Falls branch office AA includes all 24 census tracts of the Great Falls Metropolitan Statistical Area (MSA). The AA is located within Cascade County.

### Helena Assessment Area

The median family income (MFI) for the Helena assessment area is \$27,349. This figure is based on the 1990 statewide MFI for persons not residing in an MSA. The following chart summarizes the population and income categories of the geographies in the Helena AA.

#### **Helena Income/Population Information**

<b>Block Numbering Areas</b>	<b>Income Designation*</b>	<b>Population</b>	<b>Percent of Population</b>
1	Low (< 50% MFI)	494	0.8
1	Moderate (50-80% MFI)	1,051	1.7
8	Middle (80-119% MFI)	31,264	50.5
7	Upper (120% MFI)	29,120	47.0
17	<b>TOTALS</b>	<b>61,929</b>	<b>100</b>

\* The low income BNA is a small local private college campus.

The economy in and around Helena continues to grow moderately. Major employers are federal and state government, school districts, hospitals, and medical providers. The high percentage of government employment helps stabilize the local economy. Economic growth has come primarily in service and retail industries. These are generally small businesses that employ fewer than 10 people.

We interviewed representatives from the Chamber of Commerce and City of Helena to gain perspective on community credit needs. They stated that affordable housing is a continuing need in the local area. This includes a significant need for affordable rental units. Comments about the accessibility of credit within the community were positive. The representatives stated that the local financial institutions do a good job meeting the credit needs of the community.

Competition in the Helena market is strong. There are currently six banking institutions with nine branches, twelve credit unions, and three mortgage companies operating in Helena.

## Great Falls Assessment Area

The median family income for the Great Falls MSA is \$27,902. This figure was taken from 1990 census data. The following chart details the family income and census tract income distribution of the Great Falls MSA.

### **Great Falls Income/Population Information**

<b>Census Tracts</b>	<b>Income Designation</b>	<b>Population</b>	<b>Percent of Population</b>
1	Low (< 50% MFI)	659	0.8
6	Moderate (50-80% MFI)	13,404	17.3
15	Middle (80-119% MFI)	53,541	68.9
2	Upper (120% MFI)	10,087	13.0
24	TOTALS	77,691	100

The economy in the Great Falls assessment area is largely dependent on agriculture. However, Malmstrom Air Force Base and the Regional Medical Center also provide stable employment and support the service and retail sectors. Our community contact said that local community banks have provided good support for economic development. However, he also indicated that more flexible loan terms would help attract businesses.

Banking competition in the Great Falls area is also strong. Seven banking institutions with twelve branches, fifteen credit unions and three mortgage companies compete for business in the Great Falls MSA.

## **Conclusions with Respect to Performance Criteria**

### **Loan to Deposit Analysis:**

MWB's average loan-to-deposit (LTD) ratio was well above similarly situated institutions for the eight quarters ending March 31, 1998. The bank's LTD ratio averaged 89 percent, compared to only 70 percent for all banks in the state. All national chartered banks in Montana averaged 76 percent. Average loan-to-deposit ratios for competing Helena institutions ranged from 76 percent to 83 percent and averaged 79.5 percent. MWB exceeded the average for Helena banks average by 9.5 percent and the nearest competitor by 6 percent. There are no state or national chartered banks based in Great Falls for comparison purposes.

MWB originates and sells a large volume of residential real estate loans to secondary market investors. This loan volume is not reflected in the loan-to-deposit ratios. In 1997, MWB sold 309 residential real estate loans totaling \$29.5 million.

### Comparison of Credit Extended Inside and Outside of the Assessment Area:

A substantial majority of the bank's lending activity takes place within the assessment area. Since the last examination on July 18, 1996, through June 30, 1998, the bank originated the following percentages of loans within its assessment areas:

Originating Office	Loans by Number	Loans by Dollar
Helena/Main Office Assessment Area	89.4%	87.2%
Great Falls/Branch Assessment Area	92.9%	83.4%
Total Bank	92.8%	90.7%

### Distributions of Credit Within the Assessment Area(s) by Geography:

The geographic distribution of loans originated within the assessment areas is reasonable. The following chart shows that 5 percent of the geographies by number are designated low income. However, this represents only 0.8 percent of the population.

#### Combined distribution of loan originations by geography (MSA and BNAs):

Income Level	Percent of Assessment Area Census Tracts or BNAs	Percent of MWB's Loan Originations by Number	Percent of MWB's Loan Originations by Dollar Volume
<i>Low</i>	5	0.5	0.4
<i>Moderate</i>	17	6.7	5.2
<i>Middle</i>	56	67.3	65.4
<i>Upper</i>	22	25.5	29.0

**Distribution of loan originations by geography - Helena Branch Office AA :**

<b>Income Level</b>	<b>Percent of Assessment Area BNAs</b>	<b>Percent of MWB's Loan Originations by Number</b>	<b>Percent of MWB's Loan Originations by Dollar Volume</b>
<i>Low</i>	6	0.8	0.6
<i>Moderate</i>	6	1.7	1.8
<i>Middle</i>	47	70.7	64.6
<i>Upper</i>	41	26.8	33.0

**Distribution of loan originations by geography - Great Falls Branch Office AA:**

<b>Income Level</b>	<b>Percent of Assessment Area Census Tracts</b>	<b>Percent of MWB's Loan Originations by Number</b>	<b>Percent of MWB's Loan Originations by Dollar Volume</b>
<i>Low</i>	4	0	0
<i>Moderate</i>	25	16.0	13.9
<i>Middle</i>	63	60.8	67.5
<i>Upper</i>	8	23.2	18.6

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

The bank's loan originations reflect an excellent distribution of loans to small businesses, and a reasonable distribution of home loans to low- and moderate-income borrowers.

Commercial and commercial real estate lending represents the largest portion of the bank's dollar volume of loans outstanding on July 31, 1998, at 71 percent. These commercial loans are largely made to small businesses. A small business has annual revenues under \$1 million. We randomly sampled 40 commercial loans originated between July 1996 and July 1998. Seventy-eight percent of the loans sampled were made to small businesses. Another 10 percent were extended to start-up companies.

**Combined sample of loans to businesses (40 loans):**

<b>Gross Annual Revenues or Income</b>	<b>Percent of Sample</b>
under \$250,000	40
\$250,000-\$499,000	15
\$500,000-\$999,000	22.5
over \$1,000,000	22.5

**Sample of Helena branch loans to businesses (25 loans):**

<b>Gross Annual Revenues or Income</b>	<b>Percent of Sample</b>
under \$250,000	36
\$250,000-\$499,000	16
\$500,000-\$999,000	28
over \$1,000,000	20

**Sample of Great Falls branch loans to businesses (15 Loans):**

<b>Gross Annual Revenues or Income</b>	<b>Percent of Sample</b>
under \$250,000	47
\$250,000-\$499,000	13
\$500,000-\$999,000	13
over \$1,000,000	27

We also reviewed the bank's Home Mortgage Disclosure Act reports for home loans originated from January 1, 1998, through July 28, 1998. Using the 1997 Housing and Urban Development updated median family income of \$36,685, the bank demonstrated a reasonable distribution of loans to low- and moderate-income borrowers. The distribution of the bank's home loans within the assessment areas is outlined in the following table.

### Real Estate Lending Distribution

Income Level	Percent of Households in Assessment Area	*Percent of Sample Residential Real Estate Loans
<i>Low</i>	1	2.4
<i>Moderate</i>	12	10.2
<i>Middle</i>	60	28
<i>Upper</i>	27	59.3

\* Total of 331 home loans reported.

The bank is an active participant in several state and federal programs which benefit low- and moderate-income borrowers. These programs include:

- **The HomeStart Savings Program.** MWB was awarded a \$35,000 grant to assist in appraisal costs for qualified first-time home buyers. The bank was also commended by the Federal Home Loan Bank of Seattle for helping to promote affordable housing in the community.
- **The Neighborhood Housing Services Program.** This program helps low-income individuals obtain housing. It includes grants to assist with down payments, grants to cover a portion of a home's purchase price, and a lender's pool to provide funds to assist with closing costs. MWB personnel teach consumer classes through this program on obtaining financing for a home. The bank has originated loans to 31 low-income applicants using this program since February 1998.
- **The Family Friendly Business Loan Program.** This is a state sponsored pilot project helping low-income people leave state assistance programs. Businesses that agree to hire people leaving state assistance are eligible for zero interest loans up to 120 percent of the annual wages of the new employee. MWB's management embraced this program by investing considerable time understanding the program and working with potential business participants. To date, the bank has originated one loan in the amount of \$35,000.

MWB has committed considerable resources to residential lending programs benefiting borrowers of all income levels. Annualized loan production for the first seven months of 1998 is nearly 30 percent higher than production for 1997. For the first seven months of 1998, MWB has closed 332 home loans. Information provided by a local title company in Helena lists MWB second in Lewis and Clark County out of approximately twenty lenders. The bank has a 12 percent market share for home loans originated during this period.

**CRA Complaints:**

The bank has not received any complaints regarding CRA performance since the prior examination.

**Other Information:**

We did not identify any violations of the substantive provisions of anti-discrimination laws and regulations during this examination.