



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

February 23, 1998

Community Reinvestment Act Performance Evaluation

**Northwest National Bank, N.A.
Charter Number: 16523**

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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.

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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 each 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 **Northwest National Bank, N. A.** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **February 23, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Census Tract (CT) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

CRA Rating

Institution's CRA Rating: This institution is rated "Satisfactory."

The major factors which support this rating include:

- Lending levels reflect a good responsiveness to community credit needs. The bank's primary focus is business lending. NWNB is a major small business lender with approximately 17% of the market share in 1996. The bank's market share for HMDA loans is less than 2% for 1996

Loan percentages used throughout the public evaluation refer to number of loans versus dollar volume of loans. Number volume was used because loans to small businesses and low- and moderate-income borrowers are generally smaller dollar volumes which would not be accurately reflected if we used the dollar volume.

- Assessment area concentration is good. The bank originated 86% of its loans in the assessment area.
- Overall, geographic distribution is reasonable.

In 1996 and 1997, the bank originated 14% of the small business and farm loans and 5% of the HMDA loans to moderate-income census tracts. Thirteen percent of the small businesses are located in these census tracts. Nine percent of the families reside in moderate-income census tracts.

- Borrower profile distribution is adequate.

In 1996 and 1997, the bank originated 49% of its loans to small businesses. Fifty two percent of the loans originated to small businesses had loan amounts of less than \$100 thousand. Dunn and Bradstreet data indicates 74% of the businesses in the bank's assessment area have gross annual revenues of \$1 million or less.

The bank originated 6% of its HMDA loans to low-income borrowers and 10% to moderate-income borrowers in 1996 and 1997. Nineteen percent of the families that reside in the bank's assessment area are low-income. Moderate-income families comprise 18% of the population.

- NWNB's community development lending volumes are low but address affordable housing which is a primary need of the community.
- NWNB uses flexible underwriting standards and products to respond to community credit needs.

Investment Test

- The bank has an adequate level of investment and grant activity. The bank has provided investments that are typical for a financial organization.

Service Test

- Delivery systems are accessible to all portions of the bank's assessment area. The bank has not closed any offices. Nine of the 10 branches are located in moderate-income census tracts. The bank's business hours are comparable to area financial institutions. Saturday banking is provided at 3 of the branches.

The following table indicates the performance of **Northwest National Bank, N.A.** with respect to lending, investment, and services.

Performance Levels	Northwest National Bank Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			X
Low satisfactory	X	X	
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Northwest National Bank, N.A.

Northwest National Bank (NWNB) is 80% owned by Northwest Bancshares, Inc. (NWB). The bank has the ability and capacity to respond to credit needs of its assessment area. The bank is financially strong, and has no legal or financial impediments which would affect its ability to meet the credit needs of the community. Past CRA performance has been satisfactory.

As of December 31, 1997, NWNB's total assets were \$389 million. Gross loans and leases totaled \$248 million. The loan portfolio is comprised of 81% real estate loans, 15% commercial and industrial loans, and 4% installment loans. NWNB's deposits were \$344 million.

Competition with other financial institutions serving this assessment area is strong. The competition includes community banks, savings banks, credit unions, and branches of regional and multinational banks.

NWNB has 10 full-service branches located in its assessment area which is Clark County, Washington. Each branch has its own Automated Teller Machine (ATM). The main office is located in Vancouver, Washington.

The bank offers traditional consumer, real estate and commercial loan products, and all typical depository products. NWNB also participates in special credit-related programs and provides trust services, real estate brokerage services, and telephone banking to handle depository transactions. NWNB has two wholly-owned subsidiaries, Admiralty Leasing and Northwest Investment Services, Incorporated, to accommodate the leasing and investment needs of bank customers.

Description of the Bank's Assessment Area

The Clark County assessment area is part of the Portland (Oregon)/Vancouver MSA. Clark County is comprised of nine moderate-income census tracts (16%), 41 middle-income census tracts (75%), and five upper-income census tracts (9%). There are no low-income census tracts in Clark County. The income level for the geographies is based on the 1990 U.S. Census median family income for the MSA which is \$36,705. The family breakdown in the assessment area by income levels is 19% low-income families, 18% moderate-income families, 26% middle-income families, and 37% upper-income families. The income levels of the individuals are based on updated information from the Department of Housing and Urban Development (HUD). The 1997 and 1996 HUD Updated Median Income levels for Clark county are \$46,300 and \$44,400 respectively.

Based on the 1990 Census data, there was a total of 92,849 housing units in Clark County. Owner occupied units comprised 61%, while rental units account for 36%. The 1990 median housing value was \$74,878. The median price for a home, as of November 1997, was \$134,700. Combined with a population growth of over 27% since 1990, the increase in housing costs has led to a shortage of affordable housing in Clark County. As of April 1996, the State of Washington's Office of Financial Management predicted that between 1990 and 2010, Clark County population is expected to increase 46%.

Major industries in the assessment area include services, retail trade, and construction. Computer and high-tech firms, wood and paper product producers, transportation companies, and manufacturing firms are the main nongovernmental employers. The economy is stable and growth has been strong since 1987. The unemployment rates in Clark County are 3%. Dunn and Bradstreet 1996 business demographic data indicates there are over 8,000 businesses in the Clark County assessment area. Seventy four percent of the businesses have gross annual revenues of \$1 million or less.

Assessment Area Credit Needs

To evaluate the credit and community development needs, examiners reviewed bank data and considered information provided by community development organizations. We contacted representatives from two organizations. One is a community organization that provides affordable housing services and the other is an organization that provides housing and assistance to businesses. The primary credit and community development needs of the assessment area are:

- affordable housing
- loans to small businesses
- home-ownership counseling
- assistance with financial services and credit education
- operating grants to local community groups

Conclusions with Respect to Performance Tests

LENDING TEST

- Lending levels reflect good responsiveness to the assessment area's credit needs. The bank originated 1,118 loans during 1996 and 1997. Fifty nine percent of the loans were originated to small businesses and 41% were HMDA loans.
- The majority (84%) of the loans were originated in the bank's assessment area.
- Overall geographic distribution is reasonable. The bank originated 14% of the small business and farm loans and 5% of the HMDA loans to moderate-income census tracts.

Small business and farm loan distribution is comparable to area demographics. Thirteen percent of the businesses reside in these census tracts. Although the bank's market share of HMDA loans is low, the distribution compares to area lenders. In 1996, area lenders originated 5% of the HMDA loans and 16% of the business loans to moderate-income census tracts.

- Borrower profile distribution is adequate. Loans to small businesses comprised 49% of the total business loans originated. The bank originated 6% of its HMDA loans to low-income borrowers and 10% to moderate-income borrowers.

The bank's performance was comparable to area lenders performance. Market data for 1996 showed area lenders business loan distribution at 59%. Area lenders originated 4% of the HMDA loans in low-income census tracts and 15% in moderate-income census tracts. The bank's performance was reasonable given its small market share of less than 2%, and the shortage of affordable housing in its assessment area.

- Community development loan volumes were low but responsive to community credit needs. The bank originated 4 loans totaling \$1.9 million.

In assessing lending performance, we focused on Northwest National Bank's lending activity; assessment area concentration; geographic distribution of loans; borrower profile; responsiveness to credit needs of economically disadvantaged geographies, low-income persons or small businesses; community development lending; and, product flexibility. We used revised data to evaluate 1996 business loan performance because the data the bank reported for 1996 included a significant volume of loan renewals. Loan renewals can not be reported as originations. We did not include consumer loans in our evaluation because they comprised only 4% of the total portfolio.

Lending Activity

Small business loan volumes were good. The bank originated a total of 557 business loans and 403 HMDA loans in 1996 and 1997 within its assessment area.

Assessment Area Concentration

The bank originated 82% of its small business loans and 92% of the mortgage loans within the Clark County assessment area. Tables 1 and 2 summarize the small business and HMDA lending for 1996 and 1997.

Table 1						
Volume of Small Business and Small Farm Loan Originations in 1996 and 1997						
Within the Assessment Area						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Small Business	360	\$36,217	286	79%	\$28,983	80%
Small Farm	5	\$262	5	100%	\$262	100%
Total 1996	365	\$36,479	291	80%	\$29,245	80%
Small Business	308	\$30,088	259	84%	\$26,443	88%
Small Farm	7	\$442	7	100%	\$442	100%
Total YTD 1997	315	\$30,530	266	84%	\$26,885	88%
Grand Total	680	\$67,009	557	82%	\$56,130	84%

Source:
Bank prepared Small Business and Small Farm Data Collection Registers

Table 2
Volume of Home Mortgage Loan Originations in 1996 and 1997
Within the Assessment Area

Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Home Purchase/Refinance	154	\$19,497	141	92%	\$17,581	90%
Home Improvement	35	\$1,480	33	94%	\$1,215	82%
Multifamily	0	\$0	0	0%	\$0	0%
Total 1996	189	\$20,977	174	92%	\$18,796	90%
Home Purchase/Refinance	187	\$26,870	168	90%	\$22,866	85%
Home Improvement	61	\$1,696	61	100%	\$1,696	100%
Multifamily	1	\$195	0	0%	\$0	0%
Total 1997	249	\$28,761	229	92%	\$24,562	85%
Grand Total	438	\$49,738	403	92%	\$43,358	87%

Source:
HMDA Loan Application Registers

Geographic Distribution of Loans within the Assessment Area

Overall, the distribution of loans is good. The bank originated business loans in 8 of the 9 moderate-income census tracts. NWNB originated HMDA loans in 4 of the census tracts which is reasonable given the small market share and number of lenders serving the assessment area. The percentage of lending to moderate-income census tracts is comparable to area lender's performance in 1996. Refer to table 3 for business loan distribution and table 4 for HMDA loan distribution.

Table 3
Distribution of Small Business and Farm Loan Originations in 1996 and 1997
Within the Assessment Area
By Income Level of the Census Tract

Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	0%		9	16%	41	75%	5	9%
Census Tracts Penetrated (% of tracts in income group)	0%		8	89%	40	98%	5	100%
Number of Businesses/Farms	0%		1,097	13%	6,892	82%	452	5%
Loan Product	#	%	#	%	#	%	#	%
Small Business	0	0%	37	13%	238	83%	11	4%
Small Farm	0	0%	0	0%	5	100%	0	0%
Total 1996	0	0%	37	100%	243	87%	11	4%
Small Business	0	0%	41	16%	208	80%	10	4%
Small Farm	0	0%	0	0%	7	100%	0	0%
Total YTD 1997	0	0%	41	15%	215	81%	10	4%
Grand Total	0	0%	78	14%	458	82%	21	4%

Data source:
 Business Demographic Data and bank prepared Small Business and Farm Loan Data Collection Register

Table 4 Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Census Tracts								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Census Tracts	0%		9	16%	41	75%	5	9%
Census Tracts Penetrated (% of tracts in income group)	0%		4	44%	32	78%	5	100%
Number of Owner Occupied Housing Units	0%		4,063	7%	47,482	84%	5,327	9%
Number of Families	0%		6,289	9%	52,359	82%	5,585	9%
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refinance.	0	0%	6	4%	116	82%	19	13%
Home Improvement	0	0%	3	9%	29	88%	1	3%
Total 1996	0	0%	9	5%	145	83%	20	11%
Home Purchase/Refinance.	0	0%	7	4%	137	82%	24	14%
Home Improvement	0	0%	5	8%	51	84%	5	8%
Total 1997	0	0%	12	5%	188	82%	29	13%
Grand Total	0	0%	21	5%	333	83%	49	12%

Source:

U.S. Census Demographic Data and HMDA Loan Application Registers

Distribution by Borrower's Income within the Assessment Area

The bank originated 49% of its business loans to small businesses. Eighty one percent of the small business loans were in amounts of less than \$100 thousand. Of the total business loan originations, 78% were in amounts of less than \$100 thousand. HMDA lending to low- and moderate-income families is reasonable, given the shortage of affordable housing. The bank originated 6% of its loans to low-income families and 10% to moderate-income families. Table 5 shows business loan distribution and table 6 illustrates the bank's performance in lending to borrowers with different incomes.

Table 5 Distribution of Small Business and Farm Loan Originations in 1996 and 1997 Within the Assessment Area By Loan Size and Business Revenues								
Loan Size					Annual Revenues < \$1 Million			
	#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	423	76%	\$14,225	25%	220	52%	\$6,625	47%
\$100,000 to \$250,000	78	14%	\$13,890	25%	32	42%	\$5,584	40%
\$250,000 to \$1,000,000	56	10%	\$28,015	50%	19	34%	\$10,044	36%
Totals	557	100%	\$56,130	100%	271	49%	\$22,253	51%
Distribution of Businesses and Farms in the Assessment Area by Annual Revenues of the Business or Farm:					< 1 Million 49%		> 1 Million 32%	
					Unknown 19%		*As a percentage of loans of the size category	

Source: Business Demographic Data and bank prepared Small Business and Farm Data Collection Register

Table 6 Distribution of Home Mortgage Loan Originations in 1996 and 1997 Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Characteristics of Families	18%		19%		26%		37%	
Loan Product	#	%	#	%	#	%	#	%
Home Purchase/Refinance	5	4%	17	13%	30	22%	84	62%
Home Improvement	4	12%	3	9%	9	27%	17	52%
Total 1996 - 169 loans	9	5%	20	12%	39	23%	101	60%
Home Purchase/Refinance.	8	5%	12	8%	33	21%	104	66%
Home Improvement	5	9%	7	13%	14	26%	27	51%
Total 1997 - 210 loans	13	6%	19	9%	47	22%	131	62%
Grand Total - 379 loans	22	6%	39	10%	86	23%	232	61%

Source: U.S Census Demographic Data and HMDA Loan Application Registers

Income was not available for 5 loans originated in 1996 and 19 loans in 1997.

Community Development Lending

The bank originated 4 loans for \$1.9 million. The loans provided 62 units of affordable housing, financing to a nonprofit organization for affordable housing, and helped finance a community recreation center which is located in a moderate-income community and serves low and moderate-income people.

Product Innovation and Flexibility

NWNB uses flexible lending practices to help address the credit needs of low- and moderate-income persons and/or geographies. The following programs provide for lower downpayments, longer terms, downpayment assistance, and below market rates:

- Fannie Mae's Community Home Buyers Program

This program's features include a low downpayment, a portion of which may be paid by the seller, and lower monthly payments because the borrower is not required to have private mortgage insurance.

First Home Loan Program

The program is a revolving loan fund that is capitalized by grants from public and private resources. The loan fund is used for downpayment assistance in the form of a second mortgages. Homebuyers may purchase a home with a 3% downpayment. The program was introduced in August 1996. As of December 1997, 73 loan applications were approved.

- Teammates Special Needs Pilot Project

This program provided affordable housing to developmentally disabled persons with low and moderate-income. The bank originated 4 loans.

- Low Income First Time (LIFT) Homebuyer program.

This program provides financing at below market rates and requires a 5% downpayment. The bank has a \$1.5 million loan pool. The bank originated 5 loans to borrowers with incomes of less than 80% of the HUD median family income. A total of 11 borrowers received loans using the program criteria to determine borrower income levels. The program considers number of dependents.

.INVESTMENT TEST

The bank's level of investments and grants is low but represent a good responsiveness to community credit needs. Management indicated it is difficult for the bank to book qualified investments, given the small geographic area that it serves. According to management, the bank's corporate structure prevents it from participating in low income housing tax credits without negative tax consequences.

NWNB's originated 4 qualified investments to the Vancouver Housing Authority totaling \$340 thousand and made contributions of \$86 thousand to support local organizations and activities that provide community service, affordable housing, and support economic development.

SERVICE TEST

Retail Services

The bank has 10 full service branches including ATMs. Nine of the 10 branches are located in the moderate-income census tracts. All branches offer a full range of products and services. Saturday banking is available at 3 of the branches. The bank has not closed any offices since the last CRA examination.

NWNB offers business loans, real estate loans, and consumer loans. The bank also provides brokerage services for real estate loans. This service allows the bank to provide its customers with better rates and terms because they do not service the loans. Twelve low- and moderate-income borrowers received financing through this service.

Community Development Services

NWNB's community services demonstrate a good responsiveness to community needs. Bank employees provide technical support to several community organizations and local government entities which provide community services, affordable housing, and promote economic development within the bank's assessment area. The bank has established and maintains productive partnerships with these organizations and has shown leadership. Following is a partial list of the services:

- The bank helped establish the Community Housing Resource Center. The center provides information and referrals on home ownership and rental housing programs, pre-purchase counseling, and home ownership classes.

Bank employees have participated on the board, task forces and assisted with counseling. NWNB designed and published the Homebuyers handbook which is used in the home ownership classes.

- NWNB sponsored and managed a fundraising event for the Vancouver Housing Authority to help fund its Self Sufficiency Program which serves low- and moderate-income people. The program provides education, job training, and life skills to participants.

- The bank in partnership with the Columbia Non-Profit Housing Agency, the Community Housing Resource Center, representatives from the City and the County and the regional Fannie Mae Office, developed the First Home Loan Program for first time homebuyers. The program was implemented in August of 1996.

The program is a revolving loan fund that is capitalized by grants from public and private resources. The revolving loan fund is used for downpayment assistance in the form of second mortgages.

- NWNB started the Homestart Savings program to help low- and moderate-income people purchase a home. The program allows the matching of funds for a home savings plan at a 3 to 1 ratio. The Washington State Housing Finance Commission matches the funds which are used as a downpayment to purchase a home. The bank has 15 accounts.
- Several bank employees support the Vancouver Housing Authority. A bank employee serves as the commissioner. Several employees are members of the self-sufficiency program, and one employee is a member of a committee for non-profit housing.
- A bank employee serves on the board and Finance Committee of the Human Services Council. The Human Services Council helps address community needs such as housing, education, and health care.

Fair Lending Review

We did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations.

Appendix A: Scope of Examination

Our evaluation of NWNB's CRA performance covered the performance period of 1996 and 1997. We applied interagency procedures and guidelines for Large Retail Institutions in our review. We evaluated business and mortgage loan products. We reviewed the bank's performance under the lending, investment, and service tests.