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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

JANUARY 13, 1997

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**BankWest, National Association  
Charter Number: 21156**

**444 West Idaho Street  
Kalispell, Montana 59901**

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

<p><b>NOTE:</b> 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>
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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 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 **BankWest, National Association** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of date (Date from the front page). 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**" based on the following:

- ▶ A reasonable loan-to-deposit ratio;
- ▶ A substantial majority of loans are in the assessment area;
- ▶ A reasonable record of lending to low and moderate income borrowers.

The following table indicates the performance level of BankWest, National Association with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	BANKWEST, NATIONAL ASSOCIATION 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 incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans	Not rated. Not a meaningful analysis for this bank's assessment area demographics		
Response to Complaints	No complaints received since the last examination.		

## DESCRIPTION OF INSTITUTION

BankWest, National Association (BankWest), is an independently owned community bank located in Kalispell, Montana. As of September 30, 1996, the bank has \$44 million in total assets. The bank has no branches and five automated teller machines (ATM) in the assessment area. The bank does not have a holding company. Planning for a holding company has begun but was not finalized as of this report. The bank does not have any financial or legal impediments that would prevent it from meeting the credit needs of the community/assessment area. BankWest received an "Satisfactory Record of Meeting Community Credit Needs" during the last CRA examination dated March 17, 1995.

The bank's business focus is small business lending, residential real estate lending, and general purpose consumer lending. These loans (by number), make up 36 percent, 13 percent, and 51 percent, respectively, of originations for the twelve months ending December 31, 1996.

## DESCRIPTION OF BANKWEST'S ASSESSMENT AREA

The bank's assessment area consists of 13 block numbering areas (BNAs) located in Flathead County. The population of the assessment area is 56,700. The 1990 U.S. Census data shows nonmetropolitan statewide median family income for Montana is \$27,349.

Number of BNAs	Income Category	Percent of families in the assessment area
11	Middle	87.40
2	Upper	12.60

According to bank management, the economic base of the assessment area is stagnant due to deterioration in timber and tourism which is its two major industries. Based on the 1996 publications distributed by the Kalispell Chamber of Commerce and the Montana Department of Commerce, the major employers in the area are Semitool, Kalispell Regional Hospital, School District 5, Burlington Northern Santa Fe Railroad, North Valley Hospital, Winter Sports Inc., Plum Creek Timber, and Columbia Falls Aluminum. According to the Montana Department of Commerce, the statewide nonmetropolitan median housing cost is \$46,300. Average housing costs within the assessment area range from \$90,000 to \$123,300 or between 94 percent to 166 percent higher than the state-wide median.

Historically, competition in the bank's assessment area has been particularly strong; as there are twelve community banks and four credit unions in the assessment area.

Two community contacts were used for this examination. One contact consisted of the Flathead Regional Development office located in Whitefish, Montana. Based on this community contact for this area, there are no unmet credit needs. However, the contact stated that affordable housing and infrastructure repair were the primary community development needs in the area. The contact stated the need for affordable housing was not high due to the lack of available credit or programs for low-income borrowers, but due to a small stock of existing affordable houses. The contact stated that the Glacier Affordable Housing Foundation was the primary non-government organization in the area that addressed affordable housing.

The second community contact was a representative from a local economic development organization. The representative stated that the community needed affordable housing and affordable rents for people with lower wages. According to the representative, incomes in the area tend to be very high among retirees and people with vacation homes in the area and very low among those employed in the service industries. The contact stated that the area needed credit that helped with the development of housing units and credit to get more people into home ownership and that local banks do a good job of attempting to meeting those needs. The contact was aware that BankWest was involved with the Commercial Loan Rehabilitation Program and the Montana Board of Housing.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### **Loan-to-Deposit Ratio**

BankWest has maintained a loan-to-deposit ratio that is reasonable compared to similarly situated banks for the last eight quarters beginning December 31, 1994, and ending September 30, 1996. BankWest's ratio was 82 percent. The loan-to-deposit ratios of six similarly situated banks range from 66 percent to 118 percent. The similarly situated banks are independent community banks located in the northwestern county of Flathead with assets of less than \$100 Million and operate one or no branches.

### **Lending in the Assessment Area**

We reviewed the institution's internal analysis of credit extensions made during the examination period, which was verified for accuracy. A substantial majority of the institution's lending was conducted within its assessment area. The review consisted of the institution's three major credit lines; installment, commercial, and 1-4 family mortgage loans. We found that 88 percent (by number) of BankWest's loans were inside its assessment area.

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

Based on the sample of loans reviewed, BankWest does a reasonable job of extending credit to borrowers of different income levels and lending to small businesses, especially micro businesses.

The tables below illustrate the demographics of the assessment area and the bank's lending performance in each income category and to business of different sizes. The sample of loans reviewed consisted of 20 real estate loans, 20 consumer loans and 20 commercial loans which by number of loans, represent 3.7 percent of loans originated since January 1, 1996.

**Table 1**

Income Population Category	Percent of the Population	Percent of loan sample <b>Consumer</b>	Percent of loan sample <b>Real Estate</b>
Low: < 50% of HUD median income	18%	40%	5%
Moderate: ≥ 50% but < 80% of HUD median income	17%	10%	5%
Middle: ≥ 80% but <120% of HUD median income	23%	35%	25%
Upper: ≥ 120% of HUD median income	42%	15%	65%
Total	100%	100%	100%

BankWest's low penetration of loans to low- and moderate- income borrowers is due to the lack of available affordable housing in the area. However, the bank does a reasonable job of extending credit to low- and moderate- income borrowers for other consumer purposes. Based on previously discussed local income characteristics and information from local economic organizations, there would be a limited number of applicants that could qualify for existing real estate in the assessment area. Housing prices in the assessment area are much higher than the state-wide average housing price. Based on the results of our review, consumer lending is reasonable.

**Table 2**

Business Revenues (000)	Percent of Loan Sample
0-\$100	50%
\$100-\$250	10%
\$250-\$500	25%
\$500-\$1,000	10%
>\$1 Million	5%
Total	100%

Based on the results of our sample, BankWest makes loans available to small businesses, as 60 percent of the loans reviewed were made to micro-businesses with revenues less than \$250,000. BankWest originated 20 SBA loans in 1996. As of January 8, 1997, the bank had 98 SBA loans in the amount of \$7,458 Million, which were 14 percent (number), and 43 percent (amount) of the bank's commercial loan portfolio.

### **Geographic Distribution of Loans**

We did not find this analysis meaningful. The bank's assessment area consists of eleven middle income BNAs and two upper income BNAs. Any additional information that would enable a meaningful geographic analysis was not available. Further, the geographies are not distinctly different and there are no neighborhoods in the assessment area that consist of entirely low- and moderate-income families.

### **Record of Complaints and Compliance with Antidiscrimination Laws**

There were no complaints about the bank's CRA performance from the public and examiners found no violations of the substantive provisions of antidiscrimination laws and regulations.

### **Community Development**

#### **Services**

BankWest assists in providing affordable housing financing to elderly individuals through the Federal Home Loan Bank of Seattle's Community Investment Program (CIP). The CIP targets housing for families that qualify as low- and moderate- income. The bank originates and services the loan and the FHLBB provides permanent financing at a below market interest rate and allows the participating bank to pass on its cost savings to the borrower in the form of lower origination fees. The bank currently services a CIP loan made to an extended care facility for elderly citizens who qualify as low- and moderate-income.