



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

April 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Montana First National Bank
Charter Number 23010**

**85 North Main Street
Kalispell, Montana 59903**

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

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 Community Reinvestment Act (CRA) performance of **Montana First National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 12, 1999. 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.”**

Montana First National Bank meets the rating definition of satisfactory because of:

- C a reasonable distribution of loans to small businesses and people of different income levels;
- C a majority of loans are made within the assessment area; and
- C a satisfactory loan-to-deposit ratio.

DESCRIPTION OF INSTITUTION

Montana First National Bank is located in Kalispell, Montana. The bank's only office opened July 18, 1996. The bank's only ATM is located onsite. The population of the greater Kalispell area is approximately 33,000, while Flathead County's population is approximately 72,000. The economic base consists of wood products, tourism, federal and local government and manufacturing. As of March 31, 1999, the bank had total assets of \$18.6 million and net loans of \$10.7 million. The bank is the only asset of Montana First National Bancorporation, a holding company. Montana First National Bank did not face any financial or legal impediments which would inhibit its ability to meet the credit needs of the assessment area. This is the bank's first CRA examination.

Montana First National Bank's credit products include small business, consumer and residential real estate lending. As of March 31, 1999, the loan portfolio consisted of 50% commercial loans, 45% consumer loans, and 5% real estate loans by dollar amount. The bank generates residential real estate loans for sale to the secondary market, primarily Montana Board of Investments. Since the bank opened, it has sold approximately \$2.8 million (28 loans) onto the secondary market.

DESCRIPTION OF ASSESSMENT AREA

Montana First National Bank's assessment area (AA) consists of twelve adjoining census tracts covering most of Flathead County (the cities of Kalispell and Columbia Falls and a portion of Whitefish). The AA includes eleven middle- and one upper-income census tract. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies.

The 1998 non-MSA (Metropolitan Statistical Area) state median family income (MFI) is \$36,100, based on annual updated figures provided by the U.S. Department of Housing and Urban Development. The following chart summarizes household and income categories of the census tracts in the AA.

Household Information by Census Tract			
Number of Census Tracts	Income Designation*	Total Households	Percent of Households in Census Tract to Total Households
0	Low	NA	NA
0	Moderate	NA	NA
11	Middle	19,199	94%
1	Upper	1,312	6%
12	TOTALS	20,511	100%

* Income designations are defined as: less than 50% = low; 50% to 80% = moderate; 80% to 120% = middle; greater than 120% = upper.

The current economic condition of the assessment area is strong. Since 1990, the economy in Flathead County has been one of the strongest in Montana, having grown at a rate of 4.5 percent per year. The population base is stable with 53,500 people living in the assessment area. Approximately 15% of the households in the assessment area are below poverty level. Owner occupied housing totals 64% of total housing units with a median housing value of \$65,000 based on 1990 US Census information. The Northwest Montana Association of Realtors states the average price of homes sold in 1998 ranged from just under \$109,000 in Columbia Falls to \$121,000 in Kalispell to a high of \$183,000 in Whitefish. Major employers are centered in services, retail trade, manufacturing (wood products), and government. Montana First National Bank faces strong competition for banking services within its assessment area. There are nine financial institutions in the Kalispell area plus two more in the immediate vicinity.

We interviewed one city government official and reviewed previously obtained community contact information to gain insight regarding local community credit needs. The officials stated Kalispell has a stable economic base. Affordable housing is identified as a credit need for the community. The average housing price of \$121,000 precludes many low- and moderate- income families from home purchases. Affordable housing for low- and moderate- income families include city subsidized rental programs. The city official noted that some local bank's are more active than others. Local programs include a first time home buyer program with Montana Board of Investments and Commercial Rehabilitation Loan Program with the city. Montana First National Bank underwrote two commercial rehabilitation loans. One contact stated there is a need for bank's to coordinate an entire community development project (developing the project and exploring financing options).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Montana First National Bank meets the standards for satisfactory performance in this area. The bank’s average loan-to-deposit ratio was 76% for the nine quarters the bank has been open, ending September 30, 1998. This is slightly above the twelve quarter average of 70%, calculated through September 30, 1998, on seventeen similarly sized banks with total assets less than \$25 million throughout Montana. The bank’s loan-to-deposit ratio ranges from a low of 65% as of September 30, 1998, to a high of 96% as of March 31, 1997. The loan-to-deposit ratio was 57% and 65%, as of December 31, 1998, and March 31, 1999, respectively.

Lending in the Assessment Area

A large portion of loans made by the bank were located within its assessment area. Based on our analysis of all loans originated since the bank opened in July 1996 (\$29.1 million by dollar and 896 by number), we found 72% by dollar and 82% by number were in the assessment area. Our analysis is based on a bank generated report sorted by census tract and loan type. The report’s accuracy was verified by sampling 63 loans comprised of small business, consumer and residential real estate loans.

Percent of Lending in the Assessment Area		
Loan Type	% by \$ of Loans	% by # of Loans
Small Business	68%	87%
Consumer	75%	80%
Residential Rest Estate	78%	80%
Total Originations	72%	82%

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

The bank’s record of lending to borrowers of different income levels and to businesses of different sizes is satisfactory. We used a sample of 63 consumer, business and real estate loans to determine income levels. Although real estate loans to low- and moderate-income individuals is less than the demographics, it is reasonable given the small business and consumer lending focus of the bank. The following table reflects the sample results.

Loan Distribution in the Assessment Area by Family Income Level			
Income Level* (% of median family income)	Percent of consumer loan originations (Sample)	Percent of real estate loan originations (Sample)	Percent of families in the assessment area (Demographics)
Low	14%	0	18%
Moderate	29%	14%	17%
Middle	43%	23%	24%
Upper	14%	63%	41%
Total	100%	100%	100%

* Income designations are defined as: less than 50% = low; 50% to 80% = moderate; 80% to 120% = middle; greater than 120% = upper.

Montana First National Bank has a good record of making loans to small businesses. We found one farm loan within the bank. Agricultural lending is not a focus given the industry makeup of the area. We used a sample of loans to businesses and farms to collect income information. The bank made 76% of these loans to small businesses and farms with annual revenues under \$1 million. The table below summarizes the information:

Lending to Small Business and Farms		
Revenues	Number of Loans	Percentage of Total
<\$250M	8	38%
\$250M to \$500M	4	19%
\$500M to \$1MM	4	19%
over \$1MM	5	24%
Total	21	100%

Geographic Distribution of Loans

An analysis of the geographic distribution of loans is not meaningful. The AA is comprised of eleven middle- and one upper-income tract.

Record of Complaints and Compliance with Antidiscrimination Laws

The bank did not receive any complaints relating to CRA performance since the last CRA evaluation. Concurrent to this examination, we conducted a review of Montana First National Bank's compliance with the substantive provisions of anti-discrimination laws and regulations. We performed a review for gender discrimination by reviewing consumer loan applications received since January, 1998. We did not find any violations.