

**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 the 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 Dacotah Bank, Mobridge, South Dakota, prepared by the Federal Reserve Bank of Minneapolis, the institution's supervisory agency, as of March 18, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

**INSTITUTION'S CRA RATING:** This institution is rated "Satisfactory."

Several major factors contribute to the bank's CRA rating. First, the bank has continued to maintain a reasonable loan-to-deposit ratio since the previous evaluation. Second, the bank has made a substantial portion of its loans to residents in its assessment area. Third, the bank has originated a significant number of loans to borrowers of all income levels residing in all areas of its assessment area. Finally, the bank has a reasonable distribution of loans between geographies of different income levels.

The following table indicates the performance level of Dacotah Bank, Mobridge, South Dakota, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	DACOTAH BANK, MOBRIDGE, SOUTH DAKOTA 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		X	
Response to Complaints	No complaints were received since the previous evaluation.		

## **DESCRIPTION OF INSTITUTION**

Based on its size and financial condition, the bank is able to meet the credit needs of the communities in its assessment area. According to the bank's December 31, 1995, Report of Condition ("ROC"), its total assets are approximately \$53.1 million. The bank's volume of loans and deposits have remained stable since the previous evaluation. The bank's loan portfolio consists of 60% agricultural, 25% real estate (15% agricultural, 4% commercial, and 6% residential), 8% consumer, and 7% commercial loans. An analysis of the ROCs for the quarters since the previous evaluation reveals little change in the loan mix, except for some seasonal variations.

The bank's only office is in Mobridge, South Dakota. Chartered in 1910, the bank has not opened or closed any offices since the previous evaluation. The bank's facilities allow it to provide its products and services to its entire assessment area.

The bank has tailored its commercial marketing strategy to meet the agricultural financial needs of its assessment area. To help meet these needs, the bank offers a full array of products and services. The bank also offers a variety of real estate, agricultural, commercial, and consumer loans. The credit products and services offered by the bank are appropriate for a small, rural community.

## **DESCRIPTION OF THE ASSESSMENT AREA**

The bank defines its assessment area as Campbell, Corson, Dewey, and Walworth counties, South Dakota; the counties are located in the north-central portion of the state. The bank's office is located in Mobridge, which is in the northwest corner of Walworth County and is 110 miles north of Pierre, South Dakota, the state capital. Corson County is part of the Standing Rock Indian Reservation, which is headquartered in Fort Yates, North Dakota. Dewey County is part of the Cheyenne River Indian Reservation, which is headquartered in Eagle Butte, South Dakota. According to the 1990 census, the assessment area has a population of 17,770. The town of Mobridge has a population of 4,174. The minority population, primarily American Indians, comprises 35.2% of the total assessment area population. The minority percentages by county are Campbell at 0.7%; Corson at 48.8%; Dewey at 66.9%; and Walworth at 8.4%.

CRA divides income levels for borrowers into four categories: low income, moderate income, middle income, and upper income. Because the bank's assessment area is not in a metropolitan statistical area, the categorization of a borrower or block numbering area's ("BNA") income is determined relative to the statewide nonmetropolitan median family income. Low-income borrowers have incomes of less than 50% of the statewide nonmetropolitan median family income, while moderate-income borrowers have incomes of at least 50% but less than 80% of this amount. The regulation defines a middle-income borrower as one with an income of at least 80% but less than 120% of the statewide nonmetropolitan median family income. A borrower with an income that is at least 120% or more of the statewide nonmetropolitan median family income is considered upper income. BNAs are classified using similar categories based on the level of the median family income in the geography.

The bank's assessment area is divided into five BNAs. BNA 9861 (Corson County) and BNA 9881 (Dewey County) are designated as moderate income. The population of these two BNAs, both of which are on Indian reservations, totals 9,728, 54% of the assessment area's population. BNAs 9851 and 9852 (Walworth County) and BNA 9841 (Campbell County) are designated as middle income. According to 1990 census data, the assessment area's median family income is \$20,650, while the median family income for nonmetropolitan areas in South Dakota is \$25,547. Although the assessment area is classified as middle income, the population is concentrated in the lower- and upper-income ranges. Specifically, 32% of the area's households are classified as low income, 17%

are moderate income, 17% are middle income, and 34% are upper income. The assessment area's median household income of \$16,892 is substantially below the area's median family income of \$20,650. More than 28% of the households in the assessment area are below the poverty level.

The economy of the bank's assessment area is based primarily on agriculture. Tourism is a developing industry in the area with increasing interest in sport fishing and an Indian-owned casino near Mobridge. According to the February 1996 South Dakota Labor Bulletin, which is published monthly by the South Dakota Department of Labor, 7,174 people in the assessment area are in the labor force; the unemployment rate is approximately 5.7%. Unemployment varies significantly among the counties in the assessment area, ranging from Campbell at 3.7% and Walworth at 4.4% to Corson at 6.0% and Dewey at 8.5%. The area's unemployment percentage is expected to drop as seasonal employment needs increase.

The agricultural sector is split between livestock and grain production. Corson and Dewey counties, which are west of the Missouri River, are primarily livestock production areas. Campbell and Walworth counties are small grain production areas. For the past several years, the area's livestock industry has experienced low prices for livestock and high prices for feedstuffs, resulting in little or no profitability. The grain production areas have benefited from high prices for grains and feedstuffs for the past several years. However, changes in federal farm subsidies and forecasts for continued low prices in the livestock sector may affect the area's economy negatively. Tourism continues to expand in the Mobridge area as the community promotes sport fishing in the Oahe Reservoir and gaming at the local casino. Residents of the assessment area travel to Mobridge for food and other basic services. Residents travel primarily to Aberdeen, South Dakota, or Bismarck, North Dakota, for clothing and entertainment.

During the evaluation, examiners contacted several government officials and individuals familiar with conditions on the two Indian reservations located in the assessment area. The contacts indicated that affordable housing was needed. The contacts also indicated they were unaware of unmet credit needs in the bank's assessment area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

The bank's performance in meeting the credit needs of its assessment area is satisfactory. The criteria detailed below were evaluated in determining this rating.

LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's lending levels meet the standards for satisfactory performance. According to the bank's December 31, 1995, ROC, the bank's net loan-to-deposit ratio was 43.7%. Since September 30, 1994, the quarterly average of the bank's net loan-to-deposit ratio has been 44.8%. The following chart, based on quarterly ROC data, shows that the bank's loan-to-deposit ratio has been consistent since the previous evaluation.

Date	Net Loans (in thousands)	Deposits (in thousands)	Loan-to-Deposit Ratio
December 31, 1995	\$20,341	\$46,573	43.7%
September 30, 1995	\$20,209	\$44,430	45.5%
June 30, 1995	\$20,331	\$44,142	46.1%
March 31, 1995	\$19,756	\$44,673	44.2%
December 31, 1994	\$20,184	\$46,416	43.5%
September 30, 1994	\$20,338	\$44,181	46.0%

The following table shows the total assets as of December 31, 1995, and the average quarterly loan-to-deposit ratios since September 31, 1994, for three other area banks, none of which has an office in Mobridge.

Bank Name	Total Assets December 31, 1995	Quarterly Average Loan-to-Deposit Ratio
Subject Bank	\$53,055	44.8%
Bank A	\$113,694	76.7%
Bank B	\$29,975	68.0%
Bank C	\$17,622	54.3%

Each of these institutions represents the only financial institution in its respective community. Conversely, there are several competing financial institutions located in the city of Mobridge. Each of the Mobridge competitors is a branch of a larger institution and, as such, loan-to-deposit ratio information is not available for them. While the bank's average ratio is lower than both smaller and larger area banks, the ratio is satisfactory for a bank in a small agricultural community with strong competitors.

Community contacts did not indicate that there are any unmet credit needs in the community.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

A review of a statistical sample of loans originated by the bank since the previous evaluation reveals that a substantial majority of its loans was made inside its assessment area. The following table shows the percentages for the number and dollar volume of major loan products that were inside the assessment area.

PERCENTAGE OF LOANS IN THE ASSESSMENT AREA		
Major Loan Product Lines	Total Number of Loans	Total Amount of Loans
Farm and Business	95%	86%
Residential Real Estate	100%	100%

This level of concentration in the assessment area exceeds the standards for satisfactory performance. As noted in the table, the vast majority of all the bank's loans are within the assessment area.

DISTRIBUTION OF CREDIT WITHIN THE ASSESSMENT AREA

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

A review of the distribution of loans to borrowers of different income levels shows that the bank adequately provides loans to borrowers of all income levels and, thus, meets the standards for satisfactory performance. The income level of residential real estate borrowers is compared to the median family income for a family residing outside a metropolitan statistical area in South Dakota. As discussed previously, the assessment area median family income based on the 1990 census is \$20,650, or 80.8% of the level for statewide nonmetropolitan areas. The bank's distribution of loans by income level is shown in the following table.

DISTRIBUTION OF LOANS BY INCOME LEVEL IN THE ASSESSMENT AREA*				
Loan Type	Low Income	Moderate Income	Middle Income	Upper Income
<u>Residential Real Estate</u>				
Percentage of Total Loans	12%	15%	27%	46%
Percentage of Total Loan Amounts	5%	17%	20%	58%

\*Income level is based on the 1995 South Dakota nonmetropolitan median family income of \$30,100.

Data in the table show that the bank made 27% of its residential real estate loans to low- and moderate-income borrowers. As noted previously, 49% of the area's households are classified as low and moderate income. In the two moderate-income BNAs, only 44% of the housing units are owner occupied. Given the limited number of affordable homes located in the area and the low income level of many residents of the assessment area, this level of residential real estate lending to low- and moderate-income residents is reasonable.

The size and volume of agricultural and commercial loans appear reasonable for the bank as well. All the commercial and agricultural loans in the sample were made to borrowers with less than \$1 million in gross annual revenues. Almost all the loans in the sample (86%) had loan amounts less than or equal to \$100,000. Another 11% had loan amounts greater than \$100,000 but less than or equal to \$250,000. Only 2% of the loans had amounts between \$250,000 and \$1 million. The bank's level of lending to low- and moderate-income real

estate borrowers and to small businesses and farms meets the standards for satisfactory performance.

#### Geographic Distribution of Loans

The bank's loans are distributed in a reasonable manner throughout the assessment area. As such, the geographic distribution of the bank's loans meets the standards of satisfactory performance. As previously mentioned, the bank's assessment area includes two moderate- and three middle-income BNAs.

The following table illustrates the distribution of the bank's loans in the moderate- and middle-income areas.

DISTRIBUTION OF LOANS IN ASSESSMENT AREA GEOGRAPHIES		
Type of Loan	Moderate- Income BNAs	Middle- Income BNAs
<u>Small Businesses and Farms :</u>		
Percentage of Total Loans	46%	47%
Percentage of Total Loan Amounts	42%	58%
<u>Residential Real Estate Loans :</u>		
Percentage of Total Loans	25%	75%
Percentage of Total Loan Amounts	42%	58%

The table indicates that the bank makes 46% of its small business and farm loans in the moderate-income BNAs, where about 55% of the assessment area's population resides. The table also indicates that only 25% of the bank's residential real estate loans are to residents of the moderate-incomes BNAs. Although this figure appears somewhat low, it should be noted that about 39% of the households in the moderate-income BNAs have incomes below the poverty level. Many residents of these BNAs may not qualify for real estate loans. In addition, community contacts indicated a need for affordable housing in the assessment area. As such, lower-income residents may not have many opportunities to purchase housing. The bank's activity in the moderate-income areas is, therefore, adequate.

General

The evaluation did not reveal any violations of the substantive or technical provisions of the fair lending laws and regulations. In addition, the bank has not received any CRA complaints since the previous evaluation.



## **PUBLIC DISCLOSURE**

March 18, 1996  
Date of Evaluation

---

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Dacotah Bank  
Name of Depository Institution

---

094610200000  
Identification Number of Institution

---

Mobridge, South Dakota  
Address of Institution

---

Federal Reserve Bank of Minneapolis  
250 Marquette Avenue  
Minneapolis, Minnesota 55401-2171

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.