

## **PUBLIC DISCLOSURE**

April 14, 2008

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

First Bank of Montana  
224 West Main Street  
Lewistown, Montana 59457  
RSSD 649650

**Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue, P.O. Box 291  
Minneapolis, MN 55480-0291**

NOTE: This document is an evaluation of this 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. 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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*Definitions for many of the terms used in this performance evaluation can be found in section 228.12 of Regulation BB. For additional convenience, a Glossary of Common CRA Terms is attached as Appendix A at the end of this performance evaluation.*

**INSTITUTION’S CRA RATING:** This institution is rated “Satisfactory.”

The bank’s performance under the Community Reinvestment Act (CRA) is satisfactory. The bank’s CRA performance was evaluated using the Small Bank CRA Evaluation Procedures. Based on its size and financial condition, the bank effectively meets the credit needs of small businesses, small farms, and consumers in its assessment area. Several factors support the bank’s satisfactory rating.

- The bank’s level of lending to businesses and farms of different sizes and to borrowers of different income levels is satisfactory.
- The bank’s net loan-to-deposit ratio reflects a satisfactory level of lending.
- The bank originated a substantial majority of its loans within the assessment area.
- The geographic distribution of loans reflects satisfactory dispersion throughout the assessment area.

**SCOPE OF EVALUATION**

Table 1 shows the loan originations by number and dollar amount from June 21 through December 31, 2007. The date of June 21, 2007, is used because this is the date it became a state member bank after a charter change. See the Description of Institution section of the evaluation for details about the bank’s application activity.

<b>TABLE 1</b>				
<b>Loan Originations from June 21, 2007, through December 31, 2007</b>				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>Percentage of Total Number</i>	<i>Total Amount of Loans</i>	<i>Percentage of Total Dollars</i>
Consumer	127	28.5	\$ 1,286,569	4.2
Residential Real Estate	20	4.5	1,136,765	3.7
Small Business	88	19.7	7,727,057	25.4
Small Farm	176	39.5	17,949,407	59.1
Construction/Land	5	1.1	722,756	2.4
Home Equity	15	3.4	516,263	1.7
Home Equity Line of Credit	12	2.7	996,467	3.3
Leases	3	0.7	29,109	0.1
<b>Total</b>	<b>446</b>	<b>100.0</b>	<b>\$30,364,394</b>	<b>100.0</b>

Based on the number and dollar amount for each loan category, small farm, small business, and consumer loans were selected for review. The analysis of the bank’s performance under CRA is largely based on a sample of 92 small farm, 60 small business, and 78 consumer loans. The sample period is July 1, 2007, through December 31, 2007. Because the bank’s loan portfolio is largely agricultural, small farm loans received the greatest weight. All other product types were weighted equally.

The following criteria were analyzed to determine the bank’s CRA rating:

- Lending to borrowers of different income levels and to businesses and farms of different revenue sizes,
- Lending inside the assessment area,
- Net loan-to-deposit ratio,

- Geographic distribution of loans, and
- Record of responding to complaints about the bank's CRA performance.

In assigning the rating, the bank's level of lending to borrowers of different income levels and lending within the assessment area were weighted equally and received the most weight in the overall rating.

## **DESCRIPTION OF INSTITUTION**

*General.* The bank effectively meets the community credit needs in its assessment area given its office locations, size, and products.

This is First Bank of Montana's (FBMT) first CRA evaluation since it became a state member bank on June 21, 2007, after a charter change. At the time of the charter change, the bank changed its name from First National Bank of Lewistown to First Bank of Montana. The bank is wholly owned by Glacier Bancorp, Inc., Kalispell, Montana (GBCI), a multibank holding company, which acquired Citizens Development Corporation (CDC), a five-bank holding company based in Billings, Montana, on October 1, 2006. First National Bank of Lewistown and Western Bank of Chinook, N.A., were subsidiaries of CDC. Concurrent with the conversion of First National Bank of Lewistown, GBCI merged Western Bank of Chinook, N.A., into FBMT and maintained the Chinook office as a branch. The former banks each received satisfactory ratings at the conclusion of their CRA performance evaluation conducted by the Office of the Comptroller of the Currency (OCC). The date of the most recent CRA evaluation for First National Bank of Lewistown was January 6, 2003, and for Western Bank of Chinook, N.A., was November 12, 2002.

*Offices.* FBMT is a full-service bank with its main office located in Lewistown, Montana. The bank also operates one full-service branch in Chinook, Montana. The Chinook branch is located approximately 150 miles north of Lewistown. The Chinook branch lobby hours are 9:00 a.m. to 4:00 p.m. except Friday when it is open until 5:00 p.m. The Lewistown office hours are also 9:00 a.m. to 4:00 p.m.; the drive-up facility is open until 5:00 p.m. during the week and 8:00 a.m. to noon on Saturday. The bank operates two cash-dispensing automated teller machines (ATM); one is located at the drive-up facility of the main office and the other ATM is located at the Chinook Motor Inn, Chinook, Montana.

The bank offers 24-hour telephone banking accessible to customers through a toll-free telephone number. In addition, the bank offers online banking at [www.1stbmt.com](http://www.1stbmt.com). With online banking, customers can view and print images of checks, deposit account information, loan and line of credit information, and account history. Customers can also print up to one year of previous bank statements, transfer funds between deposit accounts, make loan payments, initiate stop payments, and download personal account information to a text file. Online banking is available to consumer and business customers.

According to the June 30, 2007, Federal Deposit Insurance Corporation Deposit Market Share Report, the bank had total deposits of approximately \$104.5 million throughout the assessment area. The bank ranks first in deposit market share in its entire assessment area. More specifically, the bank ranks first in Fergus County and the city of Lewistown with 34.2% and 36.6%, respectively. Additionally, the bank ranks first in Blaine County, which includes the city of Chinook, for deposit market share with 48.3% of the total deposits.

*Loan portfolio.* According to the December 31, 2007, Report of Condition (ROC), the bank had total assets of \$149.8 million. As of December 31, 2007, the bank's \$100.5 million loan portfolio is made up of 43.6% agricultural, 34.0% commercial, 9.3% residential real estate, 4.7% consumer, and 8.4% other loans, including commercial leases. At the time of their last evaluations, First National Bank of

Lewistown had \$70 million in assets, and Western Bank of Chinook, N.A., had \$30 million in assets, according to their respective September 30, 2002, ROCs. Both banks experienced moderate loan growth prior to the merger.

*Credit products.* The bank offers a wide variety of loan products designed to serve the credit needs of residents, businesses, and farms in the assessment area. Consumer loan products include overdraft protection, home equity lines of credit, personal lines of credit, and other general consumer-purpose loans. The bank offers residential real estate loans for purchase and refinance purposes, mobile home loans, construction loans, and home improvement loans. The bank offers a variety of conventional loans for commercial and agricultural purposes. Additionally, the bank offers state and federal loan programs sponsored by the United States Department of Agriculture Rural Development and the Small Business Administration.

*Community contacts.* In addition to discussions with bank management, members of the community familiar with economic issues in the assessment area were contacted. Information from these contacts and bank management was used in the evaluation of the bank's CRA performance.

## **DESCRIPTION OF ASSESSMENT AREA**

*Assessment area.* The bank has one assessment area in the state of Montana. The bank defines its assessment area as Blaine, Fergus, Garfield, Golden Valley, Judith Basin, Petroleum, and Wheatland counties. These counties are located in nonmetropolitan area of central Montana. The bank did not change the geographic boundaries of its combined assessment area since the previous evaluations by the OCC; however, those analyses were conducted using 1990 U.S. Census data. FBMF simply combined the two assessment areas of the two former banks, which remain whole and contiguous. Although the bank did not change the definition of its assessment area, after the 2000 U.S. Census, all block numbering areas converted to census tracts and some of the income levels and geographic boundaries of the census tracts changed. A large portion of the Fort Belknap Indian Reservation is included in Blaine County and the bank's assessment area.

As a result of changes to the CRA regulation in September 2005, certain nonmetropolitan middle-income census tracts are classified as distressed and/or underserved each year. All eight middle-income census tracts in the assessment area are designated as distressed and underserved areas. The list of distressed and/or underserved census tracts is updated each April. A one-year lag period exists for census tracts that no longer meet the requirements to be classified as distressed and/or underserved, meaning banks will continue to receive credit for qualified community development activities in these census tracts for 12 months after removal from the list. All eight distressed and underserved middle-income census tracts in the assessment area received that designation in 2005, 2006, and 2007.

*Population.* The population of the assessment area is 26,304 according to 2000 U.S. Census data. Of the total, 11,893, or 45.2%, of the population reside in Fergus County. According to 2007 census population estimates for all seven counties in the assessment area, the only county with estimated population growth is Golden Valley County. The percentage of families below the poverty level in the assessment area is 15.3%, which is higher than the statewide percentage of families with incomes below the poverty level at 10.5%. According to bank management and community contacts, the area consists mainly of farm and ranch land with small rural communities. People from western states looking for reasonably priced land are discovering the area, but they are not typically permanent residents. Table 2 illustrates the demographic characteristics of the assessment areas based on the 2000 U.S. Census data and current Dun & Bradstreet (D&B) data.

<i>Income Categories</i>	<i>Tract Distribution</i>		<i>Families by Tract Income</i>		<i>Families &lt; Poverty Level as % of Families by Tract</i>		<i>Families by Family Income</i>	
	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	1,658	23.8
Moderate Income	3	27.3	1,032	14.8	311	30.1	1,395	20.1
Middle Income	8	72.7	5,923	85.2	750	12.7	1,749	25.1
Upper Income	0	0.0	0	0.0	0	0.0	2,153	31.0
<b>Total Assessment Area</b>	<b>11</b>	<b>100.0</b>	<b>6,955</b>	<b>100.0</b>	<b>1,061</b>	<b>15.3</b>	<b>6,955</b>	<b>100.0</b>
<i>Income Categories</i>	<i>Housing Units by Tract</i>	<i>Housing Types by Tract</i>						
		<i>Owner-Occupied</i>			<i>Rental</i>		<i>Vacant</i>	
		<i>#</i>	<i>%</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	1,856	788	10.8	42.5	521	28.1	547	29.5
Middle Income	10,831	6,500	89.2	60.0	2,464	22.7	1,867	17.2
Upper Income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>12,687</b>	<b>7,288</b>	<b>100.0</b>	<b>57.4</b>	<b>2,985</b>	<b>23.5</b>	<b>2,414</b>	<b>19.0</b>
<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
	<i>#</i>	<i>%</i>	<i>≤\$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>	
			<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	84	7.1	75	7.1	5	7.4	4	6.8
Middle Income	1,106	92.9	988	92.9	63	92.6	55	93.2
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>1,190</b>	<b>100.0</b>	<b>1,063</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>89.3</b>		<b>5.7</b>		<b>5.0</b>
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
	<i>#</i>	<i>%</i>	<i>≤\$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>	
			<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>%</i>
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	61	10.9	61	10.9	0	0.0	0	0.0
Middle Income	501	89.1	497	89.1	4	100.0	0	0.0
Upper Income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>562</b>	<b>100.0</b>	<b>558</b>	<b>100.0</b>	<b>4</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>				<b>99.3</b>		<b>0.7</b>		<b>0.0</b>

*Income.* For purposes of classifying borrower income, this evaluation uses the Department of Housing and Urban Development’s estimated median family income for nonmetropolitan portions of Montana. For 2007, the estimated median family income is \$48,900. For purposes of classifying census tract income levels, this evaluation uses the nonmetropolitan median family income of \$39,050 from the 2000 census.

*General economic conditions.* According to community contacts and bank management, there has been little change in the economic condition of the region in the past few years and they described the area as “rural and poor.” However, there have been recent signs of improvement and potential development in Fergus County, which contains the vast majority of the assessment area population. The estimated population for the seven-county region is about 26,000, of which approximately 12,000 live in Fergus County. The entire region continues to rely on agriculture in the form of farming and ranching. The

contacts and bank management indicated that the region has been negatively impacted by extremely dry weather conditions for the past eight years. While the mountain areas are experiencing significant snowfall and moisture levels, much of central and eastern Montana continues to suffer drought conditions affecting its farmers and ranchers in the lower elevations. Farmers and ranchers are also suffering from a lack of transportation options and increasing costs for seed, fertilizer, and feed for livestock. Cattle and grain prices are currently above average, but the record-setting fuel prices and equipment costs have narrowed profit margins. The dry conditions also present potential wild fire concerns as evidenced by several fires in Golden Valley County this spring. While the region is primarily dependent on agriculture, other industries are becoming more important based on the exploration of the abundant natural resources in the area. Alternative energy sources, such as wind energy, are being developed. The state's second largest wind energy farm was recently constructed in Wheatland County. Economic conditions on the Fort Belknap Indian Reservation have not changed much in the past few years. There is very high unemployment, a lack of affordable housing options, and a high level of default on credit obligations.

Affordable housing continues to be an issue facing the region. Not only is there a shortage of affordable new and existing housing stock, but the population is changing with an increased elderly segment with different housing needs. Many of the rural areas have older housing units in need of improvements and repairs. In addition, there have only been approximately 10 to 15 new homes built in and around Lewistown. Essentially, there are very few affordable houses available for purchase by local homebuyers. The area is somewhat immune to the housing and subprime lending crisis affecting the national economy. There are affordable housing issues as well on the Indian reservation. Many of the reservation rental housing units are in need of major repairs, and more defaults on rent payments are showing up. In many instances, there are two or three families living together in one unit. There is a lack of adequate single-family and rental housing options on the reservation.

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

The bank's CRA rating is satisfactory. The distribution of lending reflects satisfactory penetration among borrowers of different income levels and farms and businesses of different sizes. The bank's loan-to-deposit ratio is reasonable given the bank's size and financial condition and the credit needs of the assessment area. The geographic distribution of loans reflects satisfactory dispersion throughout the assessment area. Finally, the bank originates a substantial majority of its small farm, small business, and consumer loans in its assessment area.

### **COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA**

The bank's lending activity in the assessment area is very good. The lending analysis covers the period from July 1, 2007, through December 31, 2007. The bank extended 92.2% of the total number and 90.0% of the total dollar amount of loans in the assessment area. As Table 3 shows, a review of the sample of small farm, small business, and consumer loans reveals the bank originated a substantial majority of its loans inside the assessment area.

<i>Loan Type</i>	<i>Total Number of Loans</i>	<i>Total Amount of Loans</i>
Small Farm	98.9%	99.8%
Small Business	81.7%	71.2%
Consumer	92.3%	96.8%

Although the bank's level of small business lending within the assessment area by dollar amount and number is lower than other loan types, it is nonetheless good. According to bank management, the bank makes small business loans to neighboring communities often just outside the bank's assessment area. In addition, the bank makes small business loans to customers who have an ongoing relationship with the bank but do not live in the assessment area at this time. Loans extended to these borrowers may result in lending activity outside of the bank's designated assessment area. Overall, the bank's record of lending within its assessment area is very good.

**LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES AND FARMS OF DIFFERENT SIZES**

The bank's level of lending to borrowers of different income levels is satisfactory.

*Small farm lending.* The bank's small farm lending is very good. The bank originated 98.9% of its small farm loans to small farms. This level of lending is consistent with the percentage of small farms in the assessment area. As indicated in Table 2, industry data published by D&B indicate that 99.3% of the farms in the assessment area have gross annual revenues of \$1 million or less. The bank's lending to small farms is very good given the local environment and the demand for agricultural credit.

The bank originated a substantial majority, 92.3%, of small farm loans for amounts of \$250,000 or less as indicated in Table 4. Refer to the glossary in Appendix A for definitions corresponding to small farm lending.

<b><i>Small Farm Originations</i></b>	<b><i>≤ \$100,000</i></b>	<b><i>\$100,001 to ≤ \$250,000</i></b>	<b><i>\$250,001 to ≤ \$500,000</i></b>	<b><i>Total Originations</i></b>
Percentage of Small Farm Loans	76.9%	15.4%	7.7%	100.0%
Percentage of Loans to Farms with Revenues Less Than \$1 Million	77.8%	15.6%	6.7%	98.9%

*Small business lending.* The bank's small business lending is satisfactory. The bank originated 65.3% of its small business loans to small businesses. This level of lending is lower than the percentage of small businesses in the assessment area. As indicated in Table 2, industry data published by D&B indicate that 89.3% of the businesses in the assessment area have gross annual revenues of \$1 million or less. The bank's level of lending to small businesses in the assessment area is satisfactory for several reasons. First, the majority of the bank's small business lending is in Lewistown, the major population center for the assessment area. Second, the bank has long-term lending relationships with many of its business customers. Many of these customers no longer meet the definition of a small business as their gross annual revenues now exceed \$1 million. Finally, the bank originates most small business loans in small dollar amounts. The bank originated 81.3% of its loans to small businesses for amounts less than \$100,000 and 18.8% for amounts between \$100,000 and \$250,000. The bank's small business lending is satisfactory considering the competitive market in which it operates. Refer to the glossary in Appendix A for definitions corresponding to small business lending.



<i>Small Business Originations</i>	<i>≤ \$100,000</i>	<i>\$100,001 to ≤ \$250,000</i>	<i>\$250,001 to ≤ \$1,000,000</i>	<i>Total Originations</i>
Percentage of Small Business Loans	77.6%	16.3%	6.1%	100.0%
Percentage of Loans to Businesses with Revenues Less Than \$1 Million	81.3%	18.8%	0.0%	65.3%

*Consumer lending.* The bank's level of consumer lending to low- and moderate-income borrowers is very good. As the data in Table 6 indicate, the bank originated 50.0% of its loans to low- and moderate-income borrowers. This exceeds the 46.1% demographic distribution of low- and moderate-income households in the assessment area. Also, the bank's commitment to offer small dollar loans enhances its ability to serve the community, especially low- and moderate-income individuals. Of the loans made to low- and moderate-income borrowers inside the assessment area, 36.1% were originated for amounts of \$3,000 or less. The overall level of lending demonstrates the bank's commitment to meeting the credit needs of residents in its assessment area.

<i>Loan Type</i>	<i>Low Income</i>		<i>Moderate Income</i>		<i>Middle Income</i>		<i>Upper Income</i>		<i>Unknown Income</i>	
	#	\$	#	\$	#	\$	#	\$	#	\$
Consumer	25.0%	11.1%	25.0%	23.0%	19.4%	20.6%	26.4%	26.3%	4.2%	19.0%
Percentage of Households by Income Levels**	27.5%		18.6%		19.8%		34.1%		0.0%	

\*Estimated 2007 median family income for nonmetropolitan Montana is \$48,900.  
\*\*Based on 2000 census data.

Overall, the bank's lending reflects satisfactory penetration among individuals of different income levels and farms and businesses of different sizes.

#### LOAN-TO-DEPOSIT RATIO ANALYSIS

The bank's net loan-to-deposit ratio is satisfactory given the bank's asset size and financial condition and the credit needs of the assessment area. According to the December 31, 2007, Uniform Bank Performance Report, the bank's net loan-to-deposit ratio is 87.0%. The net loan-to-deposit ratio for the national peer group is 73.0% for the same quarter. Since the last evaluations of the former banks, FBMT's quarterly net loan-to-deposit ratio has ranged from a low of 73.6% in December 2005 to a high of 100.1% in June 2007 at the time of the charter conversion and merger. The bank's average net loan-to-deposit ratio for the past 21 quarters is 83.6%. This is higher than the national peer average (70.0%) for the past 21 quarters. The peer group includes all insured commercial banks with assets between \$100 million and \$300 million with two or fewer offices in a nonmetropolitan area. The 21-quarter average net loan-to-deposit ratios for the bank and two commercial banks with offices in the bank's assessment area are shown in Table 7. The most similarly situated bank based on portfolio composition and asset size is Basin State Bank, Stanford, Montana, while Farmers State Bank of Denton is considerably smaller in asset size.

<b><i>Bank Name and Location</i></b>	<b><i>Assets as of December 31, 2007 (in thousands)</i></b>	<b><i>Average Net Loan-to-Deposit Ratio</i></b>
First Bank of Montana Lewistown, Montana	\$149,766	83.6%
Basin State Bank Stanford, Montana	\$111,420	87.0%
Farmers State Bank of Denton Denton, Montana	\$ 17,835	91.0%
Garfield County Bank Jordan, Montana	\$ 32,744	83.0%

The bank's average net loan-to-deposit ratio is comparable to the most similarly situated bank. In addition, the bank's average net loan-to-deposit ratio compares favorably to banks operating primarily in the bank's market. Much of the fluctuations in net loans and total deposits can be attributed to the acquisition by the holding company and the merger. The bank continues to grow its deposits and experience loan growth. As previously mentioned, the bank's market is competitive, especially in Lewistown. The bank is competing with community, regional, and national banks and credit unions for lending opportunities. Community contacts did not identify unmet credit needs in the assessment area.

The bank's lending activity demonstrates good responsiveness to the assessment area's credit needs. Information from the community contacts indicates local financial institutions, including the bank, meet the credit needs of the communities in which they operate. Given the bank's asset size and financial condition and the assessment area's credit needs, the bank's net loan-to-deposit ratio is satisfactory.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

Although the bank's lending in the three moderate-income census tracts falls below demographic characteristics, it is nonetheless reasonable. Two of the moderate-income census tracts (9401.00 and 9402.00 in Blaine County) are located on the Fort Belknap Indian Reservation. The bank's low level of lending in these tracts is reasonable considering the fact that many tribal members conduct their banking with other financial institutions closer to where they reside. The other moderate-income census tract is Garfield County, which is a considerable distance from either bank location. There is a financial institution serving Jordan, Montana, which is in Garfield County. Given the performance context, the geographic distribution of the bank's loans is reasonable. There are no low- or upper-income census tracts in the bank's assessment area.

*Consumer lending.* The bank's distribution of consumer loans in the moderate-income census tracts is reasonable. Of the consumer loans sampled, the bank originated 8.3% in moderate-income census tracts and 91.7% in middle-income census tracts. This is somewhat below the demographics of the moderate-income census tracts, which show 13.0% of households and 15.5% of the population live in these tracts. As mentioned, the moderate-income census tracts are some distance from the bank's offices. Consumer lending is shown in Table 8.

**TABLE 8**  
**Geographic Distribution of Loans by Income Level of Census Tract\***

<i>Loan Type Sample</i>	<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>	<i>#</i>	<i>\$</i>
Consumer	8.3%	2.7%	91.7%	97.3%	0.0%	0.0%	0.0%	0.0%
Small Farm	1.1%	0.8%	98.9%	99.2%	0.0%	0.0%	0.0%	0.0%
Small Business	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%
<b>Demographic Data</b>								
Number of Census Tracts	3		8		0		0	
Percentage of Census Tracts	27.3%		72.7%		0.0%		0.0%	
Percentage of Households	13.0%		87.0%		0.0%		0.0%	
Percentage of Small Farms	10.9%		89.1%		0.0%		0.0%	
Percentage of Small Businesses	7.1%		92.9%		0.0%		0.0%	
*Income classification of census tracts based on 2000 median family income.								

*Small farm lending.* As shown in Table 8, the distribution of small farm loans reflects adequate dispersion throughout the assessment area despite being lower than area demographics. Specifically, the bank extended 1.1% of small farm loans in moderate-income tracts. According to data reported by D&B, 10.9% of the farms are in moderate-income tracts. The minimal penetration in the moderate-income census tracts is due to the distance of these tracts to the bank's main office and branch location. Especially in Garfield County, the area is served by a local community bank for agricultural credit needs.

*Small business lending.* As shown in Table 8, the bank did not originate any small business loans in the assessment area's moderate-income census tracts. As with the distribution of small farm and consumer loans, the level of lending in the moderate-income census tracts is reasonable. According to the 2007 D&B data in Table 2, there are 84 businesses in the moderate-income census tracts; however, 82% of those businesses are located in Garfield County. As mentioned, a bank in Jordan is more conveniently located than either of the bank's offices. Each of the moderate-income census tracts is geographically large and sparsely populated; as such, the geographic distribution of the bank's small business loans is reasonable.

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The geographic distribution shows that the bank originates loans in the majority of the census tracts and loans are dispersed throughout the assessment area.

#### RECORD OF RESPONSE TO CRA-RELATED COMPLAINTS

The bank has not received any CRA-related complaints since the previous evaluation.

#### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The evaluation did not reveal any violations of antidiscrimination laws or regulations, including Regulation B--Equal Credit Opportunity Act, Regulation C--Home Mortgage Disclosure Act, and the Fair Housing Act. In addition, no illegal credit practices inconsistent with the bank helping to meet community credit needs were identified during the evaluation.

## Appendix A

### Glossary of Common CRA Terms

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan statistical area/assessment area.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending on population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 C.F.R. 121.301) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and Federal Deposit Insurance Corporation (the Agencies) have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Agencies based on:
  - a. Rates of poverty, unemployment, and population loss or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help meet essential community needs, including the needs of low- and moderate-income individuals.

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. It does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Full-scope review:** Performance is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

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

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments).

**Low-income:** Individual income that is less than 50 percent of the area median income or a median family income that is less than 50 percent, in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Metropolitan statistical area (MSA):** An area, defined by the Office of Management and Budget, based on the concept of a core area with at least one urbanized area that has a population of at least 50,000. The MSA comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan to business:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or classified as commercial and industrial loans.

**Small loan to farm:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income or a median family income that is more than 120 percent, in the case of geography.

(For additional information, please see the Definitions sections of Regulation BB at 12 C.F.R. 228.12.)