

## **PUBLIC DISCLOSURE**

September 17, 2007

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

Glacier Bank of Whitefish  
319 Second Avenue  
P.O. Box 220  
Whitefish, Montana 59937-2413  
RSSD 444257

**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 "Outstanding."

Major factors supporting the institution's rating include:

- The bank's distribution of loans reflects very good penetration among borrowers of different income levels and reasonable penetration among businesses of different sizes.
- The bank originates the majority of its residential real estate, small business, and consumer loans in the assessment areas.
- The geographic distribution of the bank's loans is good and does not contain any unexplained gaps in lending patterns.
- The bank's net loan-to-deposit ratio is reasonable given the assessment areas' credit needs and the bank's financial condition.
- The bank's level of community development loans, qualified investments, and donations and its record of providing community development services enhances the credit availability in its assessment areas.

### SCOPE OF EVALUATION

The scope of the evaluation includes the bank's residential real estate, consumer, and small business lending. These loan products represent the major product lines, either by number of loans or dollar amount of loans originated by the bank. Table 1 illustrates the bank's lending activity during 2006.

<b>TABLE 1</b>				
<b>Loan Originations From January 1, 2006, Through December 31, 2006</b>				
<i>Loan Type</i>	<i>Number of Loans</i>	<i>% of Total Number</i>	<i>Total Dollar Amount of Loans</i>	<i>% of Total Dollar Amount of Loans</i>
Consumer	485	54.5	\$ 4,780,739	6.9
Small Business	187	21.0	\$31,941,814	46.2
Residential Real Estate	117	13.1	\$20,966,624	30.3
Home Equity Lines of Credit	101	11.3	\$11,438,866	16.5
<b>Total</b>	<b>890</b>	<b>100.0</b>	<b>\$69,128,043</b>	<b>100.0</b>

To determine the bank's CRA rating, examiners analyzed the following criteria, in order of importance:

- Lending to borrowers of different income levels and businesses of different sizes
- Lending inside the assessment area
- Geographic distribution of loans
- Net loan-to-deposit ratio
- Record of responding to complaints about the bank's CRA performance

The analysis of residential real estate, consumer, and small business lending is based on a statistical sample of these loan types originated between January 1, 2007, and June 30, 2007. The sample includes 100 consumer loans, 68 small business loans, and 49 residential real estate loans. The bank's residential real estate lending received the greatest weight in determining the overall rating because of the growth in the bank's portfolio related to the local housing market.

In accordance with the Small Bank CRA Evaluation Procedures, examiners reviewed the bank's community development activities, including community development lending, qualified investments and donations, and community services. The bank's high level of community development activities enhanced the overall rating. The bank received an outstanding rating at its previous CRA evaluation dated July 8, 2002.

## **DESCRIPTION OF INSTITUTION**

Based on its size and financial condition, Glacier Bank of Whitefish effectively meets the credits needs of residents and small businesses in its assessment area. The evaluation did not reveal any financial constraints on the bank's ability to lend within the assessment area.

*Offices.* The bank operates two full-service offices. The bank's main office is located in Whitefish, Montana. Whitefish is located approximately 15 miles north of Kalispell, Montana. The bank's only branch office is located in Eureka, Montana, approximately 50 miles northwest of Whitefish. The main office is located in Flathead County and the Eureka branch is located in Lincoln County.

Bank lobby hours are 9:00 a.m. to 4:00 p.m., with extended Friday hours offered at the main office in Whitefish. The bank also offers extended hours at its drive-up facilities during the week and on Saturdays from 9:00 a.m. to 1:00 p.m. in Eureka and 9:30 a.m. to 1:00 p.m. in Whitefish. The bank operates five automated teller machines (ATM) in the assessment area. None of the ATMs accepts deposits.

The bank continues to offer 24-hour telephone banking accessible to customers through a toll-free telephone number. In addition, the bank offers online banking at its affiliate's web site, [www.glacierbank.com](http://www.glacierbank.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 its consumer and business customers.

According to the June 30, 2007, FDIC Deposit Market Share Report, the bank had total deposits of approximately \$108.1 million in Flathead and Lincoln counties. The bank ranks seventh in deposit market share in Flathead County and third in Lincoln County.

*Loan portfolio.* According to the June 30, 2007, Report of Condition total assets were \$193.6 million, with a gross loan portfolio of \$155.8 million. Between evaluations, the bank's total assets have grown by 64.3%. Commercial, residential real estate, and consumer loans represent 51.8%, 43.7%, and 4.5% of the loan portfolio, respectively. The bank's portfolio does not include any agricultural loans. The composition of the bank's loan portfolio reflects the recent strong demand for specific types of credit by residents and businesses in the assessment area, such as land development and construction loans.

*Credit products.* The bank offers a variety of loan products to serve the credit needs of the individuals and businesses within its assessment area. It extends open- and closed-end consumer, residential real estate, and commercial loans. In addition to offering conventional loan products, the bank participates in federal and state loan programs, such as Small Business Administration, Montana Board of Housing, Montana Board of Investment, Glacier Affordable Housing Foundation, Federal Housing Administration, and Department of Veterans Affairs. The bank also offers Rural Housing Service loans through the U.S. Department of Agriculture.

## DESCRIPTION OF ASSESSMENT AREA

*Assessment area.* Based on its branch locations and the requirements of the regulation, the bank defines two assessment areas for purposes of CRA. Both assessment areas are in nonmetropolitan areas of Montana. The Whitefish assessment area consists of eight middle-income census tracts and two upper-income census tracts in portions of Flathead County, Montana. The Eureka assessment area consists of one middle-income census tract in Lincoln County. 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. Census tract 4.0 in Lincoln County is designated as a distressed area. 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. The Lincoln County census tract was classified as distressed in 2005 and 2006, but was not designated as distressed on the 2007 list.

The assessment areas have not changed since the last CRA evaluation. Although the bank did not change the definition of its assessment areas, the 2000 U.S. Census resulted in conversion of all block numbering areas to census tracts and changed some of the geographic boundaries. This evaluation is based on the bank's performance in both assessment areas. Because the assessment areas are rural and similar in characteristics, the analysis was performed by combining the two.

*Community contacts.* As part of this evaluation, examiners conducted community contacts with city officials and business members familiar with the economic characteristics and credit needs of the assessment areas. Examiners also interviewed bank management and staff regarding the economic and demographic characteristics of the assessment areas. Information from these contacts and bank management was used in the evaluation of the bank's CRA performance.

*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.

*Population.* The population of the combined assessment area is 60,666 according to 2000 U.S. Census data. Of the total, 91.1% of the population resides in Flathead County. According to 2006 census population estimates for Flathead and Lincoln counties, the greatest growth is occurring in Flathead County. The estimated increase in Flathead County from 2000 to 2006 is 14.6%. The percentage of families below the poverty level in the assessment areas is 10.0%, which is consistent with the statewide percentage of families with incomes below the poverty level at 10.5%. According to bank management and community contacts, an influx of people have moved to the area over the past few years due to the relative affordability of the land and recreational opportunities available. However, the majority of this influx is in the form of nonresident use of seasonal and vacation homes. Table 2 illustrates the demographic characteristics of the assessment areas based on the 2000 U.S. Census data.

<b>TABLE 2</b>								
<b>Assessment Area Demographics</b>								
<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>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0.0	0.0	0	0.0	2,929	17.7
Moderate Income	0	0.0	0.0	0.0	0	0.0	3,061	18.5
Middle Income	9	81.8	13,312	80.3	1,415	10.6	3,977	24.0
Upper Income	2	18.2	3,274	19.7	236	7.2	6,619	39.9
<b>Total Assessment Area</b>	<b>11</b>	<b>100.0</b>	<b>16,586</b>	<b>100.0</b>	<b>1,651</b>	<b>10.0</b>	<b>16,586</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>	
		#	%	%	#	%	#	%
Low Income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate Income	0	0	0.0	0.0	0	0.0	0	0.0
Middle Income	22,488	13,986	80.5	62.2	5,995	26.7	2,507	11.1
Upper Income	4,528	3,397	19.5	75.0	833	18.4	298	6.6
<b>Total Assessment Area</b>	<b>27,016</b>	<b>17,383</b>	<b>100.0</b>	<b>64.3</b>	<b>6,828</b>	<b>25.3</b>	<b>2,805</b>	<b>10.4</b>
<i>Income Categories</i>	<i>Total Businesses by Tract</i>		<i>Businesses by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0	0	0.0	0	0.0
Middle Income	3,324	85.3	3,029	85.2	226	85.3	69	92.0
Upper Income	573	14.7	528	14.8	39	14.7	6	8.0
<b>Total Assessment Area</b>	<b>3,897</b>	<b>100.0</b>	<b>3,557</b>	<b>100</b>	<b>265</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>91.3</b>		<b>6.8</b>		<b>1.09</b>	
<i>Income Categories</i>	<i>Total Farms by Tract</i>		<i>Farms by Tract and Revenue Size</i>					
			<i>≤\$1 Million</i>		<i>&gt; \$1 Million</i>		<i>Revenue Not Reported</i>	
	#	%	#	%	#	%	#	%
Low Income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate Income	0	0.0	0	0.0	0	0.0	0	0.0
Middle Income	144	69.6	144	69.9	0	0.0	0	0.0
Upper Income	63	30.4	62	30.1	1	100.0	0	0.0
<b>Total Assessment Area</b>	<b>207</b>	<b>100.0</b>	<b>206</b>	<b>100.0</b>	<b>1</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>			<b>99.5</b>		<b>0.5</b>		<b>0.0</b>	

*General economic and housing characteristics.* According to bank management and community contacts, the assessment areas' economy is generally strong and growing, especially in Flathead County. The population is steadily growing due to the influx of people relocating from other states, primarily California, Oregon, and Idaho, as well as Canada. Retirees and wealthy individuals are among the people relocating to the area.

The makeup of area businesses is increasingly diverse, with growth in the retail, government, accommodation and food services, and health care industries. The annual average unemployment rate in Flathead County is 3.5% and 6.3% in Lincoln County for the same period. While the area is experiencing

considerable growth and low unemployment, many of the construction-based jobs are temporary and do not provide for long-term opportunities or benefits, according to contacts.

Eureka is centered in the Tobacco Valley, which provides most of the area's jobs. The Tobacco Valley economy is stable but certainly not robust, according to contacts. Forestry, timber, and mining continue to be important industries in Eureka and Lincoln County, but more diversified industries are needed to create and sustain economic growth said contacts. Two lumber mill closures have had a negative impact on the area. Community contacts and bank management indicated that wages have not increased proportionately to the quickly increasing housing costs.

Affordable housing continues to be an issue in the assessment areas. Housing prices for existing homes and new construction have steadily increased in most of the area, while wage and salary increases lag. Community contacts stated affordable housing is in high demand and in short supply, as most new developments focus more on high-end value homes. According to contacts in both Whitefish and Eureka, a great need exists for more affordable single-family housing in the \$100,000 to \$150,000 range. In addition, a considerable amount of land in the assessment areas is U.S. Forest Service land, which cannot be developed for private use.

According to bank management, the bank operates in competitive markets in Whitefish and Eureka. Competition among financial institutions is strong. Some of the competing institutions are branches of large national and regional financial institutions as well as credit unions.

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs of its assessment areas is outstanding. The distribution of lending to individuals of different income levels and to businesses of different sizes is very good. The majority of the loans were originated within the assessment areas. The geographic distribution of lending reflects good dispersion throughout the assessment areas. The bank's net-loan-to-deposit ratio is reasonable given its size and financial condition and the assessment areas' credit needs. Additionally, the bank's record of making qualified investments and donations and providing community development services enhances credit availability in the assessment areas.

#### LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's performance in providing loans to borrowers of different income levels and businesses of different sizes is very good in the assessment areas. For this criterion, emphasis is placed on the bank's lending performance to low- and moderate-income borrowers and to businesses with gross annual revenues of \$1 million or less. Table 3 provides details on the bank's consumer and residential real estate lending to borrowers of different income levels.

<i>Income Level of Borrower</i>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>		<i>Unknown</i>	
<i>Loan Type</i>	#	%	#	%	#	%	#	%	#	%
Consumer	29	32.6	20	22.5	14	15.7	21	23.6	5	5.6
Residential Real Estate	5	11.4	9	20.5	6	13.6	22	50.0	2	4.5
Percentage of Families**	17.7		18.5		24.0		39.9		N/A	
*Based on 2007 nonmetropolitan Montana median family income of \$48,900.										
**Based on 2000 census data.										

*Consumer lending.* The bank's level of consumer lending to low- and moderate-income borrowers is very good. Glacier Bank of Whitefish extended 32.6% and 22.5% of its consumer loans to low- and moderate-income borrowers, respectively. This compares favorably to demographic data, which indicates 17.7% of the families in the assessment areas are considered low income and 18.5% moderate income. The bank's lending to borrowers of various income levels, especially low- and moderate-income levels, is very good. The bank is able to achieve very good penetration among low- and moderate-income borrowers because of the variety of consumer products offered to customers such as unsecured loans, debt consolidation loans, and automobile loans. The bank's level of consumer lending to low- and moderate-income borrowers demonstrates its commitment to meeting the credit needs of all residents in its assessment areas.

*Residential real estate lending.* The bank's level of residential real estate lending is very good. As shown in Table 3, the bank extended 11.4% of its residential real estate loans to low-income borrowers and 20.5% to moderate-income borrowers. This is lower than demographic data for low-income families, which indicates 17.7% of families are low income, but greater for moderate-income families, which indicates 18.5% of the families are moderate income, within the assessment areas. Given the housing market of the assessment areas, the bank's level of lending is very good. It is likely that many low-income borrowers would not be able to afford a home with the rise in prices, especially in and around Whitefish.

According to community contacts, the median new home value has risen by 48% from 2000 to 2005, yet the median household income has only risen 29% over the same period. This is based on an estimated median home price of \$245,000 in the Flathead Valley in 2006. For example, a new home purchase for \$245,000 with 10% down payment would require a first mortgage loan for \$220,500. This loan amount at a 6.5% interest rate with a 30-year term would result in a monthly principal and interest payment of \$1,394. This payment amount would be 43% of the gross monthly income of \$3,260, which is 80% of the 2007 median family income (\$48,900) and the highest income level for a moderate-income borrower. A low-income borrower would have a maximum monthly income of \$2,038. The mortgage payment in the example would be 68% of the low-income borrower's monthly income and generally outside acceptable industry underwriting standards. According to the community contacts, very few properties on the market are affordable for low-income borrowers. Given the assessment areas' characteristics, the bank does a very good job of lending to low- and moderate-income borrowers.

	$\leq \$100,000$	$> \$100,000$ to $\leq \$250,000$	$> \$250,000$ to $\leq \$1,000,000$	$> \$1,000,000$	<i>Total Originations</i>
Percentage of Small Business Loans	66.7	24.1	9.3	0	100
Percentage of Loans to Businesses with Revenues $\leq$ \$1 Million	65.1	30.2	4.7	0	79.6

*Small business lending.* The bank's level of lending to small businesses is good. It extended 79.6% of its small business loans to entities with gross annual revenues of \$1 million or less. According to reports published by Dun & Bradstreet, 91.3% of the businesses in the assessment area are considered small businesses. As previously mentioned, the bank operates in a highly competitive market. In the sample of small business loans evaluated, the bank did not rely on revenue information in making the loans for 9.3%. Of the remaining small business loans in the sample, 79.6% were to businesses with revenues of \$1 million or less and 11.1% were to businesses with revenues greater than \$1 million. Finally, the bank originates most small business loans in small-dollar amounts. The bank originated 66.7% of its loans to small businesses for amounts less than \$100,000 and 24.1% for amounts between \$100,000 and \$250,000.

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

### LOAN-TO-DEPOSIT RATIO ANALYSIS

The general purpose of CRA is to encourage banks to meet the credit needs in their assessment areas while operating in a safe and sound manner. To gain an understanding of the bank's lending activity, the net loan-to-deposit ratio is reviewed to approximate the credit demand of the area and assess the bank's willingness to meet the area's demand for credit.

The bank's net loan-to-deposit ratio is reasonable given the bank's asset size and financial condition and the assessment areas' credit needs. Table 5 sets forth the quarterly average net loan-to-deposit ratio for the past 21 quarters for the bank and three commercial banks with offices in the bank's assessment areas. These banks operate in the assessment areas and have similar lending capacity, but differ in asset size. The net loan-to-deposit ratios indicate strong loan demand in the assessment areas. The June 30, 2007, Uniform Bank Performance Report shows the bank's net loan-to-deposit ratio of 142.4% is greater than the 74.4% net loan-to-deposit ratio for the national peer group. The peer group includes all insured commercial banks with assets between \$100 million and \$300 million with two or fewer banking offices and located in a nonmetropolitan area.

<i>Bank</i>	<i>Total Assets as of June 30, 2007 (in thousands)</i>	<i>21-Quarter Average Ratio</i>
Glacier Bank of Whitefish, Whitefish, Montana	\$193,646	112.9%
American Bank, Bozeman, Montana	\$485,555	100.2%
Mountain West Bank, Kalispell, Montana	\$111,230	94.2%
Three Rivers Bank of Montana, Kalispell, Montana	\$ 99,745	75.5%

A comparison of the bank's total deposits as of March 31, 2002, at \$59.7 million to total deposits on June 30, 2007, at \$108.1 million shows an increase of \$48.4 million or 81.1%. At the same time, a comparison of the bank's net loans as of March 31, 2002, at \$59.1 million to net loans as of June 30, 2007, at \$153.9 million shows an increase of \$94.7 million or 160.2%. This comparison shows that the bank's loans and deposits have both increased significantly since the last evaluation with a higher increase in the bank's net loans. Bank management attributes the growth to increased loan demand and active marketing.

The bank is an active lender in a competitive market. Glacier Bank of Whitefish is one among several banks operating throughout the assessment areas, including branches of larger regional banks headquartered outside the assessment areas and two credit unions. Since the previous evaluation, the bank's 21-quarter average net loan-to-deposit ratio is 112.9%. A review of the quarterly net loan-to-deposit ratio for Glacier Bank of Whitefish and the competitor banks for the past few years shows higher net loan-to-deposit ratios during the last part of 2005 and through the first part of 2007, indicating a high demand for credit, especially construction loans.

*Community development lending.* The bank originated three community development loans for a total of \$983,244. Two of the loans were to a nonprofit affordable housing organization serving the housing needs of the Whitefish community. For all three loans, the proceeds were used to acquire the land or existing properties, as well as the initial construction of homes for low- and moderate-income people.

Given the bank's financial condition and asset size and the assessment areas' credit needs, the bank's net loan-to-deposit ratio is reasonable.

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

CRA emphasizes the importance of banks serving the credit needs of the residents and businesses inside their assessment areas. By extending credit within the assessment areas, banks fulfill the financial needs of the community.

The bank's lending activity in its assessment areas is very good. The statistical sample of consumer, residential real estate, and small business loans shows the bank originates a majority of its loans to borrowers within its assessment areas. The lending analysis covers the period from January 1, 2007, through June 30, 2007. Table 6 shows the percentage of consumer, residential real estate, and small business loans extended in the bank's two assessment areas.

<i>Loan Type</i>	<i>Total Number of Loans</i>	<i>Total Amount of Loans</i>
Consumer	89.0%	91.3%
Residential Real Estate	89.8%	76.8%
Small Business	84.4%	65.1%

The majority of the bank's lending activity is in the Whitefish assessment area, which is not unusual as this is the main office and a slightly larger market for lending. The bank originated 87.8% of the total number of loans in the statistical sample within its assessment areas. Overall, the bank's lending activity within its assessment areas is very good.

#### GEOGRAPHIC DISTRIBUTION OF LOANS

The CRA encourages banks to lend within the census tracts of their assessment areas, consistent with safe and sound banking practices.

The bank's two assessment areas include only middle- and upper-income census tracts. The distribution of the bank's loans in the assessment areas is reasonable and does not reveal any unexplained gaps in lending patterns. Table 7 shows the bank's lending distribution by income level of census tracts alongside several demographic characteristics.

<b>TABLE 7</b>				
<b>Geographic Distribution of Loans in the Assessment Areas by Census Tract Income Level*</b>				
<i>Loan Type Sample</i>	<i>Middle</i>		<i>Upper</i>	
	#	\$	#	\$
Consumer	93.3%	95.9%	6.7%	4.1%
Residential Real Estate	97.7%	99.6%	2.3%	0.4%
Small Business	90.7%	81.1%	9.3%	18.9%
<b><i>Demographic Data</i></b>				
Number of Census Tracts	9		2	
Percentage of Census Tracts	81.8%		18.2%	
Percentage of Families	80.3%		19.7%	
Percentage of Small Businesses	85.3%		14.7%	
*Income classification of census tracts based on 2000 median family income.				

An analysis of the loan data indicates the bank actively originates loans in all census tracts in its assessment areas. Bank management indicated no significant concentrations of low- and/or moderate-income individuals are located within the assessment areas. As Table 7 shows, the bank's lending is generally consistent with the demographic characteristics of the census tracts. Overall, the geographic distribution of the bank's loans is good.

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

Neither the bank nor this Reserve Bank has received any CRA-related complaints since the previous evaluation.

#### INVESTMENTS AND SERVICES

Since the previous evaluation, the bank provided community development services and made qualified community development investments that enhance its record of serving the credit needs of the community.

*Investments.* The bank continues to hold city of Whitefish tax increment urban renewal bonds for \$1.78 million, which were purchased in 2001. The bank purchased additional bonds in 2004 for \$2.36 million. The proceeds of the bonds were used for urban renewal including the reconstruction of city streets, demolition of buildings for future development, and vacant lot improvements. The area targeted for renewal by the city is the Whitefish central business district.

In addition, the bank made several qualified community development contributions to organizations in its assessment areas. These organizations provide community services for low- and moderate-income people and help assist in creating jobs for residents in the assessment areas. Local opportunities for the bank to make investments that meet the definition of community development are limited. The bank's qualified community development contributions during the evaluation period totaled \$12,394.

*Services.* The bank provides several community development services which enhance its CRA rating. The bank's president serves as a director for a local housing authority. The organization's mission is to provide affordable housing to qualified individuals and families. He has served in this role since 2002.

Bank staff from each office serves in leadership roles for local nonprofit organizations aimed at assisting individuals of need through community services. The Eureka branch manager serves on the Loan Review Committee for a local revolving loan fund. The revolving loan fund is designed to address economic development issues through job creation and retention. It provides reasonable loan programs for individuals or businesses focused on long-term area benefits.

The bank's level of investments and services is commendable for an institution of the bank's size, and the activities enhance the bank's strong overall CRA performance and contributes to the outstanding rating. These community development activities enhance the bank's overall CRA performance and contribute to the outstanding rating.

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

No evidence of violations of antidiscrimination laws or regulations, including Regulation B--Equal Credit Opportunity Act, Regulation C--Home Mortgage Disclosure Act, and the Fair Housing Act, or other illegal credit practices inconsistent with the bank helping to meet community credit needs was revealed.

## 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.)