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Comptroller of the Currency  
Administrator of National Banks

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Midwestern District  
2345 Grand Avenue, Suite 700  
Kansas City, Missouri 64108

PUBLIC DISCLOSURE

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

November 19, 1996

**Norwest Bank South Dakota, National Association  
Charter Number 10592  
101 North Phillips Avenue  
Sioux Falls, South Dakota 57102**

<p>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, conclusions, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.</p>
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## **GENERAL INFORMATION**

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Norwest Bank South Dakota, National Association, Sioux Falls, South Dakota** prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of **November 19, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including LMI neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### **Basis for the Rating**

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## ASSIGNMENT OF RATING

### Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

#### **Outstanding record of meeting community credit needs.**

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Satisfactory record of meeting community credit needs.**

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Needs to improve record of meeting community credit needs.**

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### **Substantial noncompliance in meeting community credit needs.**

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## **DISCUSSION OF INSTITUTION'S PERFORMANCE**

### **Institution's Rating:**

Based on the findings presented below, Norwest Bank South Dakota, National Association (Norwest) is rated:

- **Outstanding Record of Meeting Community Credit Needs.**

The purpose of CRA is to ensure that financial institutions help meet the credit needs of their local communities. We rated this institution's CRA record as Outstanding because:

- Norwest, in conjunction with its affiliate, Norwest Mortgage, Inc. (NMI), originates a significant volume of Home Mortgage Disclosure Act (HMDA) loans within their South Dakota markets. Combined, they are the market leader in originating HMDA loans in South Dakota;
- Norwest and NMI combined are the market leader in originating HMDA loans in low- and moderate-income (LMI) census tracts (CTs) and to LMI applicants; and
- Norwest actively participates in community development activities by providing leadership, technical expertise and financial support.

### **Bank Profile**

Norwest is a wholly-owned subsidiary of Norwest Corporation, a multi-bank holding company headquartered in Minneapolis, Minnesota. The bank is a full-service financial institution with retail credit and services as its primary business focus. As of June 30, 1996, Norwest had approximately \$5.3 billion in total assets and a loan-to-deposit ratio of 177%. The loan portfolio has a mix of 15% real estate (including 5% 1-4 family residential), 9% commercial, 69% consumer, 6% agricultural and 1% other. Most of the consumer portfolio (86% or \$2.2 billion) consists of student loans booked at Norwest for all Norwest affiliates. After eliminating student loans originated for affiliate banks, Norwest's adjusted loan-to-deposit ratio is approximately 77%.

Norwest has offices in 29 South Dakota communities. Headquartered in Sioux Falls, the bank also has offices in the Metropolitan Statistical Area (MSA) of Rapid City and in 27 non-MSA communities. Refer to the bank's CRA Statement for a complete listing of the communities.

Norwest has banking facilities in 22 of the 25 largest communities in South Dakota which represents 47% of the state's population. Norwest has approximately 20% of all South Dakota banking deposits.

NMI originates the majority of the residential real estate loans in the bank's markets. Loan originators are available in each market. NMI lending activity within the bank's delineated communities was considered in this Evaluation.

### **Community Profiles**

Norwest has 21 delineated communities, all in South Dakota. The delineated communities include both of the MSAs in the state and consist of 25 counties.

All of the markets have several common credit needs, identified by bank management and verified through examiner contact with community organizations. These credit needs include loans for affordable housing, home improvement and small businesses. Bank management also identified lending needs for Native American individuals and businesses. The economies of the markets are stable with 2% unemployment in the Sioux Falls MSA and 3% unemployment in the Rapid City MSA. Norwest faces significant competition in most markets. We used the following 1995 delineations in this Evaluation of the bank's CRA performance.

#### **Sioux Falls**

The Sioux Falls delineated community consists of the Sioux Falls, SD MSA # 7760, which includes Lincoln and Minnehaha Counties. Based on 1990 Census data, the population of this area was approximately 139,000. Minorities comprise 3% of the population. The Sioux Falls MSA contains 33 CTs, of which 7 are moderate-income. None are designated low-income. The Department of Housing and Urban Development's (HUD) 1996 MSA Median Family Income for the Sioux Falls MSA is \$43,100. According to bank prepared reports, Norwest has approximately 18% of the banking deposits within the Sioux Falls market.

#### **Rapid City**

The Rapid City delineated community consists of the Rapid City, SD MSA #6660, which includes Pennington County. Based on 1990 Census data, the population of this area was approximately 81,000. Minorities comprise 12% of the population, including 7% Native American. The Rapid City delineated community contains 21 CTs, of which 7 are moderate-income. None are designated low-income. HUD 1996 MSA Median Family Income for the

Rapid City MSA is \$37,000. According to bank reports, Norwest has about 28% of the banking deposits within the Rapid City market.

### **Non-MSA Markets**

Norwest's non-MSA markets rely primarily on agriculture for support. However, a variety of industries provide some economic diversification. Unemployment for the non-MSA areas is 2%. The non-MSA communities consist of 22 counties and contain 73 BNAs, of which 1 is low-income and 2 are moderate-income. Based on 1990 Census data, the population of these areas was approximately 289,000. Minorities comprise 7% of the population, including 5% Native American. The 1996 statewide non-MSA Median Family Income for these areas is \$32,800. Bank reports show local deposit market share varies widely within the non-MSA markets, from Lyman County with a 5% market share to Mellette and Todd Counties with greater than 95% of the market share.

### **Reasonableness of Delineated Community**

Norwest's delineated communities are reasonable and do not arbitrarily exclude any LMI areas. The delineations include areas surrounding branch locations and contain a majority of the bank's retail deposits and retail lending volume.

## **I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS**

**Assessment Factor A** - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- **Management maintains ongoing, meaningful contact with a wide range of individuals and groups representing various community interests.**

Norwest has developed a process that incorporates surveys, focus groups and direct contact with individuals representing LMI neighborhoods, housing services, small businesses and community development and government agencies. Often, bank employees are members of or serve on governing boards and committees of these organizations. This allows the bank to receive ongoing information on community credit needs. The bank's 1996 CRA Statement lists these organizations and the nature of the bank's involvement with them.

**Assessment Factor C** - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- **The Board of Directors and senior management have developed an effective program to meet the credit needs of the bank's communities.**

The bank uses the Norwest Corporation Community Reinvestment Act Community Marketing Initiative (CMI) planning process. This process provides the framework for determining community credit needs and developing the bank's response to those needs. The plan is monitored quarterly, updated annually and incorporates information such as demographic data, ascertainment efforts, marketing strategies and lending goals. A CMI plan is prepared for each market in order to respond to any special local needs.

## **II.        MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED**

**Assessment Factor B** - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- **The Board and senior management have implemented a sound marketing program designed to reach all segments of Norwest's communities.**

Management annually develops a marketing plan designed to promote various products and services throughout the bank's communities. Regional advertising focuses on broad based general media activities including television, radio and major newspapers. Bank-wide direct mail, brochures and product point-of-sale information are also produced.

Managing officers initiate local marketing efforts. Working with the bank's marketing unit, they develop a customized marketing plan designed for their local market which includes newspapers, direct mail and participation in community events. This allows each market to tailor its marketing efforts to its community. In addition, Norwest television commercials include closed captions for the hearing impaired. In Sioux Falls, bank personnel, including interpreters, held an open house targeted to educate immigrants on general banking topics, including bank loan and deposit products.

**Assessment Factor I** - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- **Norwest has made significant efforts to address the housing, small business, small farm and consumer credit needs of its communities.**

Norwest offers and originates a comprehensive array of loan products to meet community credit needs. Loan types are detailed in the bank's 1996 CRA Statement and include loans for housing, consumer, small business and small farm needs.

Norwest and NMI (Norwest/NMI) have originated a significant portion of its MSA markets' conventional real estate loans. In both of the bank's MSA markets, Norwest/NMI was the market leader for total conventional HMDA originations in 1994 and 1995. In the Sioux Falls MSA, Norwest/NMI originated 23% of total conventional HMDA loans in 1994 and 25% in 1995. In the Rapid City MSA, Norwest/NMI's conventional HMDA loan origination market share was 28% in 1994 and 24% in 1995. Norwest/NMI originated a total of 1,621 conventional HMDA loans for \$89 million in their MSA delineations in 1994 and 1,900 loans for \$108 million in 1995. Their closest competitor in these areas originated 897 conventional HMDA loans for \$41 million in 1994 and 712 loans for \$56 million in 1995. Aggregate market information is not available for non-MSA markets since lenders were not required to geocode home loan information in non-MSA areas.

Of particular note, Norwest/NMI has originated a large volume of home purchase and home improvement loans to LMI individuals through its Community Home Ownership Program (CHOP) and Community Home Improvement Program (CHIP). These programs are designed to help LMI borrowers obtain first time home purchase and home improvement financing with flexible underwriting criteria. In 1994 and 1995, Norwest/NMI originated 67 CHOP loans totaling \$2.6 million. In addition, Norwest originated 750 CHIP loans totaling \$4.6 million in 1994 and 1995. As of August 31, 1996, Norwest originated another 176 CHIP loans totaling \$1.1 million.

Norwest originates a substantial volume of its HMDA loans within its delineated communities. In 1995, approximately 91% of the total number of Norwest's HMDA reportable loans were originated within the bank's delineated communities.



Norwest originates a significant volume of direct and indirect consumer loans. According to bank prepared data, Norwest originated approximately 33,000 consumer loans totaling \$318 million in 1995. Norwest originated approximately 84% of these loans within its delineated communities. Particularly noteworthy are the bank's efforts to meet credit needs of persons that often do not want or currently have checking accounts. Norwest introduced a new line of credit product in 1995 at two banking offices. The line of credit carries the same interest rate as lines of credit tied to checking accounts. As of July 31, 1996, the bank had 405 accounts with a commitment of \$254 thousand. The bank also has made reduced interest rate loans totaling over \$70 thousand to two Native American tribes to fund small loans to tribal members.

Norwest also makes a sizable volume of loans to small businesses and small farms. Norwest tracks small business and small farm loan originations using Consolidated Report of Condition definitions. According to June 30, 1996 information, the bank had 9,003 outstanding small business loans totaling \$294 million and 5,616 outstanding small farm loans totaling \$203 million. By number, over 84% of these loans were originated in amounts less than \$100,000.

Norwest extends conventional student loans on behalf of all Norwest affiliates. No annual fee student credit cards are offered to Norwest applicants through Norwest Bank Iowa, National Association.

**Assessment Factor J** - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- **Norwest actively participates in government-related lending programs for small business, small farms and housing.**

Norwest/NMI is the leader in originating Federal Housing Authority (FHA) and Veteran's Administration (VA) home loans in the Sioux Falls and Rapid City MSAs. In 1994 and 1995, Norwest/NMI originated 44% and 48% of all FHA and VA loans made in the Sioux Falls MSA market, respectively. For the same time period, Norwest/NMI originated 47% and 48% of these loans in the Rapid City MSA market.

Norwest/NMI originates a significant volume of South Dakota Housing Development Authority (SDHDA) home loans in the Sioux Falls and Rapid City MSAs. Norwest/NMI originated 370 SDHDA loans for \$22 million for the first eight months of 1996. This represents 40% of the total dollar amount of SDHDA loans originated during this period. Several of these loans are FHA/VA loans and are included in the percentages listed above.

The bank is an active Farm Services Administration (FSA) lender, (formerly Farmers Home Administration). Norwest originated 136 FSA loans for \$9.4 million in 1994, 137 FSA loans totaling \$10.2 million in 1995, and 104 loans totaling \$8.8 million through September 30, 1996.

Norwest has shown strong support for Small Business Administration (SBA) loan programs, including 504, 7A, LowDoc, CAPLines and Export Working Capital. Norwest is South Dakota's most active SBA lender. The bank originated 51 SBA loans totaling \$6.4 million in 1994, 42 loans totaling \$3 million in 1995, and 36 loans for \$3.4 million through September 30, 1996. Norwest was recently designated an SBA Preferred Lender.

Norwest participates in lending programs through the Bureau of Indian Affairs. The bank has originated nine BIA loans totaling \$2.5 million between January 1, 1994 and September 30, 1996.

Norwest originates a substantial volume of government guaranteed student loans. In 1995, the bank originated almost 17,000 student loans in South Dakota totaling \$48 million. Through August 1996, the bank originated another 11,000 loans in South Dakota for \$34 million.

### **III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES**

**Assessment Factor E** - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- **Norwest shows a good distribution of loans within and throughout its delineated communities, including low- and moderate-income areas.**

In 1994 and 1995, Norwest/NMI was the market leader in originating HMDA loans in moderate-income CTs and to LMI borrowers in both the Sioux Falls and Rapid City MSA markets. In 1995, Norwest/NMI originated HMDA loans in 13 of 14 moderate-income CTs in the MSA markets. The table on the following page shows Norwest/NMI's market share of HMDA loans in moderate-income CTs and to LMI borrowers for both markets:

Norwest/NMI Market Share of HMDA Originations				
MSA Market	1994		1995	
	Moderate Income CTs	LMI Borrowers	Moderate Income CTs	LMI Borrowers
Sioux Falls	27%	27%	29%	26%
Rapid City	35%	34%	25%	27%

Note: The Sioux Falls and Rapid City assessment areas do not contain any low-income CTs.

Norwest’s closest competitors in the MSA markets had considerably lower market shares in moderate-income CTs and to LMI borrowers. The closest competitor in the Sioux Falls MSA market in 1995 had 9% of total HMDA originations in moderate-income CTs and 19% to LMI borrowers. The closest competitor in the Rapid City market in 1995 had 17% of total HMDA originations in moderate-income CTs and to LMI borrowers.

Norwest has a good distribution of direct and indirect consumer loan originations throughout the bank’s delineated communities. Bank generated reports show Norwest originated retail loans in 100% of the bank’s CTs and BNAs in 1995.

Managing officers of individual markets perform annual analyses of the distribution of HMDA and retail loan applications and denials for all CTs and BNAs in their markets. They use this information to develop and refine their CMI plans to address any potential problems with lending distribution.

**Assessment Factor G** - The institution's record of opening and closing offices and providing services at offices.

- **Norwest’s offices are readily accessible to all segments of the community. Bank management regularly reviews business hours and services to ensure they meet customer needs.**

Norwest operates 45 full service banking offices in South Dakota and 58 automated teller machines (ATMs). Seven, or 16% of the branches are in moderate-income geographies.

Some locations offer trust, investment and insurance services through the bank or affiliated companies. Several ATMs include braille for visually impaired customers.

Market managers regularly review service delivery and branch hours to ensure the bank is meeting local needs. The bank offers a 24-hour toll-free phone service for taking loan applications, conducting deposit transactions and making limited credit transactions. This service has a Spanish language option and is offered in teletype for the hearing impaired. In addition, NMI employees can translate approximately 40 languages to help customers with mortgage loan products and services. Refer to the Community Profile section and the bank's Fee and Information Schedule for specific information on branch locations and hours.

Norwest closed one teller-only facility in Brookings since the last CRA Evaluation. The branch was closed due to low customer traffic. The branch was not located in an LMI area and its closure did not have an adverse impact on customer accessibility to bank services.

#### **IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES**

**Assessment Factor D** - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- **We found no practices intended to discourage applicants for any type of credit listed on the bank's CRA Statement.**

The bank solicits applications from all portions of its communities, including LMI areas. Corporate policies set forth basic fair lending requirements. All lending personnel receive regular, comprehensive training on fair lending regulations, including a newly implemented computer based training program. The bank has an independent second review program for all potential HMDA reportable denials.

**Assessment Factor F** - Evidence of prohibited discriminatory or other illegal credit practices.

- **The bank meets the substantive provisions of antidiscrimination laws and regulations.**

We did not identify any instances in which the bank denied credit to similarly situated applicants based on the applicant's gender. We performed a comparative analysis of direct and indirect auto loan applications to determine whether applicants with comparable qualifications received similar treatment. The sample included 28 denied female applications

and 112 approved male applications originated between January 1, 1995 and October 31, 1995.

## V. COMMUNITY DEVELOPMENT

**Assessment Factor H** - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- **Norwest actively participates in community development and redevelopment programs, providing leadership, technical expertise and financial support throughout all of its communities.**

Examples of the results of such activities include:

- Providing leadership in forming the Sioux Empire Housing Partnership (SEHP), a non-profit corporation formed to provide affordable housing to LMI individuals in Sioux Falls. Norwest has committed \$1 million to SEHP projects and \$500 thousand to the SEHP equity fund for the purchase of tax credits;
- Extending \$2.8 million to the Rapid City YMCA to build a new addition for child care, a wellness center and gymnastics facility. The YMCA is located in a moderate-income neighborhood;
- Committing \$1.1 million in construction and permanent financing to Homestead Trails Limited Partnership for a 32-unit rent-to-own LMI single-family housing development project in Sioux Falls;
- Teaming with the SDHDA, Pennington County Housing and Redevelopment Commission and a Community Block Grant to finance a 24-unit low-income housing project that is the first in Pennington County to not rely on federal subsidies. Norwest provided financing of \$147,000;
- Providing over \$7.6 million to finance multi-family LMI housing projects throughout the state. This includes apartment complexes, mobile home parks and retirement/assisted living facilities; and
- Purchasing \$1.6 million in low-income tax credits for two projects for the South Dakota School for the Deaf.

**Assessment Factor K** - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- **Norwest’s efforts to meet community credit needs are consistent with its size and resources.**

Norwest has sufficient resources to meet the credit needs of its community. The bank also has access to additional resources through its Norwest affiliates, including NMI, Norwest Investment Services, Inc., Norwest Funding, Inc., Norwest Financial, Inc. and Norwest Business Credit, Inc. Norwest has demonstrated its willingness to support the development and implementation of programs and products to meet community growth and redevelopment needs. No legal impediments or other factors limit the bank’s efforts.

**Assessment Factor L** - Any other factors that, in the regulatory authority’s judgement, reasonably bears upon the extent to which an institution is helping to meet the credit needs of its entire community.

- **Norwest has engaged in other meaningful activities that contribute to its efforts to help meet the community’s credit needs.**

Activities include sponsoring home ownership and small business training sessions in which Norwest staff members often participate. The bank also provides financial assistance to organizations that support the needs of LMI people.

**ADDITIONAL INFORMATION**

**Examination Profile**

The scope of our examination included an analysis of the bank's CRA performance since May 1994, the date of the prior CRA examination. We reviewed information prepared by bank management and obtained through contacts with community groups and government offices.

**Home Mortgage Disclosure Act (HMDA)**

Federal law requires the bank to gather home loan data for the two MSAs Norwest serves. Individuals may obtain this information from the following offices:

**Sioux Falls, SD MSA #7760:**

Jane Goettsch  
Sioux Falls Libraries  
201 North Main Ave.  
Sioux Falls, SD 57102-6002  
(605) 367-7082

**Rapid City, SD MSA #6660:**

Shari West-Twitero  
Reference Department  
Rapid City Public Library  
610 Quincy Street  
Rapid City, SD 57701-3655  
(605) 394-4171

The Office of the Comptroller of the Currency (OCC) is the regulatory agency responsible for the supervision of this bank. If you should have comments regarding this bank's performance under the CRA or questions regarding the Act, contact the OCC Midwestern District Office, 2345 Grand Avenue, Suite 700, Kansas City, Missouri 64108.