

# **PUBLIC DISCLOSURE**

September 14, 2020

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First United Bank  
Certificate Number: 15472

503 Briggs Avenue South  
Park River, North Dakota 58270

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Kansas City Regional Office

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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 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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## INSTITUTION RATING

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

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

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank originated a majority of its small farm and small business loans within the assessment area.
- The geographic distribution of small farm and small business loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes.
- The institution has not received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation. Therefore, this criterion did not affect the rating.

## DESCRIPTION OF INSTITUTION

First United Bank is wholly owned by First Holding Company of Park River, Inc., a one-bank holding company located in Park River, North Dakota. First United Bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated January 12, 2015, based on Interagency Small Institution Examination Procedures.

First United Bank operates from its main office in Park River, as well as nine full-service branches in eastern North Dakota. These branches are located in Adams, Aneta, Cooperstown, Crystal, Grafton, Hoople, Michigan, Petersburg, and Sharon. Since the prior evaluation, the bank acquired the Petersburg office and merged with First Financial Bank, which resulted in the acquisition of the Aneta, Cooperstown, and Sharon locations.

First United Bank offers a variety of loan products, including agricultural, commercial, home mortgage, and consumer loans. The bank's primary lending focus continues to be agricultural lending, followed by commercial lending. In addition to conventional lending, the bank originates and sells home mortgage loans to the secondary market and participates in various government-sponsored loan programs, such as those through the Farm Service Agency, Small Business Administration, and Bank of North Dakota. Furthermore, the bank originated 293 loans totaling \$12 million through the Small Business Administration's Paycheck Protection Program, which assisted small businesses struggling with the impact of the Coronavirus pandemic.

First United Bank also provides a variety of deposit services, including checking, savings, and certificates of deposit accounts. Alternative banking services include internet and mobile banking, bill pay, mobile check deposit, electronic periodic statements, person-to-person transfers, prepaid cards, and three cash-dispensing ATMs.

As of June 30, 2020, the bank reported total assets of \$285.8 million, total loans of \$190.4 million, and total deposits of \$251.6 million; the table below illustrates the loan portfolio. Finally, examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs.

<b>Loan Portfolio Distribution as of June 30, 2020</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	1,132	0.6
Secured by Farmland	53,609	28.2
Secured by 1-4 Family Residential Properties	11,361	6.0
Secured by Multifamily (5 or more) Residential Properties	590	0.3
Secured by Nonfarm Nonresidential Properties	5,040	2.6
<b>Total Real Estate Loans</b>	<b>71,732</b>	<b>37.7</b>
Commercial and Industrial Loans	22,754	12.0
Agricultural Production and Other Loans to Farmers	88,908	46.7
Consumer Loans	5,282	2.8
Obligations of State and Political Subdivisions in the U.S.	1,686	0.9
Other Loans	3	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>190,365</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%</i>		

**DESCRIPTION OF ASSESSMENT AREA**

First United Bank has designated a single assessment area in eastern North Dakota. The assessment area consists of two rural census tracts in Barnes County, a rural census tract in Cavalier County, three census tracts in western Grand Forks County, the census tract comprising Griggs County, the census tract comprising Nelson County, two census tracts in southern Pembina County, the census tract comprising Steele County, and the six census tracts comprising Walsh County. Since the prior evaluation, the bank expanded its assessment area to include the census tracts in Barnes, Griggs, and Steele counties due to the merger with First Financial Bank. In addition, Grand Forks County is part of the Grand Forks, ND-MN Metropolitan Statistical Area (MSA). However, the bank does not operate a branch in the MSA, and the census tracts included in the assessment area are rural in nature and similar to the other nonmetropolitan portions of the assessment area. Finally, the assessment area is comprised of 2 moderate- and 15 middle-income census tracts per 2015 American Community Survey (ACS) data. All but one of the bank’s ten offices are located in middle-income census tracts.

### Economic and Demographic Data

The assessment area is rural and primarily dependent on agriculture and related industries. Bank management stated that the agricultural sector has been relatively stable, but adverse weather conditions affected local growers in 2019. Management further noted that the local economy is stable despite the Coronavirus pandemic, which affected some local businesses due to mandatory closures. However, no local businesses have permanently closed due to the pandemic at this time. Management credited the strength of the agricultural sector for the stability of local businesses. The table below illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	17	0.0	11.8	88.2	0.0	0.0
Population by Geography	34,316	0.0	12.4	87.6	0.0	0.0
Housing Units by Geography	18,637	0.0	11.0	89.0	0.0	0.0
Owner-Occupied Units by Geography	11,956	0.0	10.0	90.0	0.0	0.0
Occupied Rental Units by Geography	3,365	0.0	20.7	79.3	0.0	0.0
Vacant Units by Geography	3,316	0.0	4.9	95.1	0.0	0.0
Businesses by Geography	3,050	0.0	11.5	88.5	0.0	0.0
Farms by Geography	1,044	0.0	2.6	97.4	0.0	0.0
Family Distribution by Income Level	10,024	18.7	21.3	24.0	35.9	0.0
Household Distribution by Income Level	15,321	23.2	18.2	20.0	38.6	0.0
Median Family Income MSA - 24220 Grand Forks, ND-MN MSA		\$70,827	Median Housing Value			\$88,833
Median Family Income Non-MSAs - ND		\$72,414	Median Gross Rent			\$512
			Families Below Poverty Level			4.7%
<i>Source: 2015 ACS and 2019 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(* The NA category consists of geographies that have not been assigned an income classification.</i>						

### Competition

First United Bank operates in a competitive banking market. Per 2019 FDIC Deposit Market Share data, 17 financial institutions operate 38 offices within the assessment area. Of these institutions, First United Bank ranked first with a deposit market share of 19.8 percent.

### Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit needs. This information helps to determine what credit opportunities are available and whether local financial institutions are responsive to credit needs.

Examiners reviewed one community contact interview previously conducted with an individual familiar with the agricultural industry in the assessment area. The interview was conducted prior to the Coronavirus pandemic, so it was not discussed. The contact stated that agricultural lending is the primary credit need of the area. Per the contact, average to above average crop yields in 2018

and 2019 helped offset low commodity prices. However, the quality of crops declined in 2019 due to adverse weather conditions. The contact further stated that the average size of a farm in the area is 2,500 acres. Finally, the contact stated that financial institutions are meeting the credit needs of the area.

### **Credit Needs**

Considering information from the community contact, bank management, and demographic and economic data, agricultural lending represents the primary credit need in the assessment area, followed by commercial lending.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the time period from the prior evaluation dated January 12, 2015, to the current evaluation dated September 14, 2020. Examiners used Interagency Small Institution Examination Procedures to evaluate the institution's CRA performance.

### **Activities Reviewed**

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. As noted earlier, the bank's primary lending focus is agricultural lending, followed by commercial lending. Therefore, examiners analyzed all small farm and small business loans originated, renewed, or extended in 2019 for the Assessment Area Concentration and Geographic Distribution performance criteria. During this timeframe, First United Bank originated, renewed, or extended 162 small farm loans totaling \$15.4 million and 80 small business loans totaling \$5.7 million. For the Borrower Profile criterion analysis, examiners reviewed a sample of 47 small farm loans totaling \$5.2 million and 36 small business loans totaling \$2.9 million that were originated, renewed, or extended in 2019 within the assessment area. The sample selected was considered representative of the bank's performance during the entire evaluation period, and 2019 D&B data provided a standard of comparison for the small farm and small business loans. The bank's small farm lending performance contributed greater weight to overall conclusions since agricultural lending is the bank's lending focus and is the primary credit need in the assessment area. While both the number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of farms and businesses served. Finally, examiners did not review home mortgage loans as home mortgage lending is not a focus of the bank and comprises only 6.3 percent of the overall loan portfolio.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

First United Bank demonstrated satisfactory performance under the Lending Test. The Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance supports this conclusion.

### Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. As shown in the following table, First United Bank's net loan-to-deposit ratio over the past 22 calendar quarters is similar to comparable institutions. Examiners selected comparable institutions based on their asset size, branching structure, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2020 (\$000s)	Average Net Loan-to- Deposit Ratio (%)
KodaBank, Drayton, North Dakota	310,786	91.6
Dakota Heritage Bank, Hunter, North Dakota	233,299	89.0
<b>First United Bank, Park River, North Dakota</b>	<b>285,845</b>	<b>84.9</b>

*Source: Reports of Condition and Income 3/31/2015 through 6/30/2020*

### Assessment Area Concentration

As detailed in the table below, the bank originated a majority of its small farm and small business loans within the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	75	93.8	5	6.3	80	5,593	97.7	131	2.3	5,724
Small Farm	136	84.0	26	16.0	162	13,222	86.1	2,138	13.9	15,360

*Source: Bank Data  
Due to rounding, totals may not equal 100.0%*

### Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable small farm and excellent small business lending performance supports this conclusion. Examiners focused on the percentage of loans in the moderate-income census tracts.

### Small Farm Loans

As depicted in the following table, the geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area when compared to D&B data.

Geographic Distribution of Small Farm Loans					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	2.6	1	0.7	20	0.2
Middle	97.4	135	99.3	13,202	99.8
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>136</b>	<b>100.0</b>	<b>13,222</b>	<b>100.0</b>

*Source: 2019 D&B Data; Bank Data.*

### ***Small Business Loans***

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area when compared to D&B data, which is depicted in the table below.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	11.5	17	22.7	969	17.3
Middle	88.5	58	77.3	4,624	82.7
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>75</b>	<b>100.0</b>	<b>5,593</b>	<b>100.0</b>

*Source: 2019 D&B Data; Bank Data*

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among farms and businesses of different revenues sizes. The bank's reasonable small farm and small business lending performance supports this conclusion. Examiners focused on the percentage of small farm and small business loans to farms and businesses with gross annual revenues of \$1 million or less.

### ***Small Farm Loans***

As depicted in the following table, the distribution of borrowers reflects reasonable penetration among farms with gross annual revenues of \$1 million or less when compared to D&B data. Although the bank's performance is less than demographic data, the community contact stated that the average size of a farm in the assessment area is 2,500 acres. Therefore, many farm operations likely have gross annual revenues greater than \$1 million. In addition, the 2017 Census of Agriculture revealed that 45.3 percent of farmers in the assessment area list their primary occupation as "Other" than farming. The 2017 Census of Agriculture further revealed that 50.2 percent of farms in the assessment area did not report interest expenses related to their operations. This information indicates that many farms in the assessment area have off-farm income and may not need credit to finance farm operations.



Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.9	37	78.7	3,297	63.2
>1,000,000	2.6	10	21.3	1,922	36.8
Revenue Not Available	0.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>47</b>	<b>100.0</b>	<b>5,219</b>	<b>100.0</b>

*Source: 2019 D&B Data, Bank Data.*

### ***Small Business Loans***

The distribution of borrowers reflects reasonable penetration among businesses with gross annual revenues of \$1 million or less when compared to D&B data, which is depicted in the table below.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	77.5	26	72.2	1,891	65.4
>1,000,000	6.1	10	27.8	1,002	34.6
Revenue Not Available	16.5	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>36</b>	<b>100.0</b>	<b>2,893</b>	<b>100.0</b>

*Source: 2019 D&B Data, Bank Data.  
Due to rounding, totals may not equal 100.0%*

### **Response to Complaints**

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs was identified.

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes;
- 4) The geographic distribution of the bank's loans; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

**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 area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan 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.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**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 non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family 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).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and 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 such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**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.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties 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 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 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**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.

**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.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** 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 are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.