

Community Reinvestment Act
Lobby Notice

Dakota Heritage Bank

Offices in
Hunter, Hope, Hillsboro, Galesburg, Grandin
Gackle, Streeter, Jud, Harvey, Medina, ND, and Red Lake Falls, MN

COMMUNITY REINVESTMENT ACT NOTICE

Under the federal Community Reinvestment Act (CRA), the Federal Deposit Insurance Corporation (FDIC) evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The Federal Deposit Insurance Corporation also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under the CRA, including, for example, information about our branches, such as their location and services provided at them; the public section of our most recent CRA Performance Evaluation, prepared by the Federal Deposit Insurance Corporation; and comments received from the public relating to our performance in helping to meet community credit needs, as well as our responses to those comments. You may review this information today.

At least 30 days before the beginning of each quarter, the Federal Deposit Insurance Corporation publishes a list of the banks that are scheduled for CRA examination by the Federal Deposit Insurance Corporation in that quarter. This list is available from the FDIC Regional Director, Division of Depositor and Consumer Protection, 1100 Walnut Street, Suite 2100, Kansas City, MO 64106. You may send written comments about our performance in helping to meet community credit needs to the President, Dakota Heritage Bank, PO Box 268**109 Main Street, Hunter, ND 58048 and the FDIC, Regional Director. You may also submit comments electronically through the FDIC's Website at www.fdic.gov/regulations/cra. Your letter, together with any response by us, will be considered by the Federal Deposit Insurance Corporation in evaluating our CRA performance and may be made public.

You may ask to look at any comments received by the FDIC Regional Director. You may also request from the FDIC Regional Director an announcement of our applications covered by the CRA filed with the FDIC. We are an Affiliate of the Hunter Holding Company, a bank holding company. You may request from the Officer in Charge of Supervision, Federal Reserve Bank of Minneapolis, 90 Hennepin Ave, Minneapolis, MN 55480-0291 an announcement of applications covered by the CRA filed by bank holding companies.

Revised 1/2022

Community Reinvestment Act Statement 2024

2024 Community Reinvestment Act Statement

Dakota Heritage Bank, its main office located at 109 Main Street, Hunter, ND 58048 with branches at 208 Third Street, Grandin, ND, 58038, 104 Dakota Ave E, Galesburg, ND, 58035, 212 West Caledonia Ave, Hillsboro, ND, 58045, 210 Steele Ave, Hope, ND, 58046, 325 Main Street, Gackle, ND 58442, 520 Logie Street, Jud, ND 58454, 101 North Florence Street, Streeter, ND 58483, 920 Lincoln Ave, Harvey, ND 58341, 101 Seventh Street SE, Red Lake Falls, MN 56750, and 101 Second Ave SW, Medina, ND 58467 adopts and publishes this Community Reinvestment Act Statement in compliance with the Federal Community Reinvestment Act (CRA).

LOCAL COMMUNITY

The bank seeks to meet the credit needs of individuals and firms living and doing business within its community and delineated by the attached maps. Our assessment area in North Dakota includes the Metropolitan Statistical Area of Cass County, Census Tracts of 9701, 9702, 9703, 9704 in Traill County and Census Tract 9687 in Steele County, 9725 in Logan County, 9722 in LaMoure County, 9670 & 9672 in Stutsman County, and 9668 in Kidder County, 9602 in Sheridan County, 9600 in Wells County, 9566 in Benson County, 9562 in Pierce County, and 9559 in McHenry County as shown on the attached maps. Our assessment area in Minnesota includes the Census Tracts of 0101 and 0102 in Red Lake County, 0903 in Pennington County, and 0208 in Polk County as shown on the attached map. Dakota Heritage Bank's Hunter and Grandin offices are located in Census Tract 0402.00, the Galesburg office is located in Census Tract 9703, the Hillsboro office is located in Census Tract 9704, the Hope office is located in Census Tract 9687, the Gackle office is located in Census Tract 9725, the Jud office is located in Census Tract 9722, the Streeter office and Medina office are located in Census Tract 9672, the Harvey office is located in Census Tract 9598, and the Red Lake Falls office is located in Census Tract 0102.

The bank acquired the Gackle, Streeter, and Jud offices through a merger in March 2009.

The bank acquired the Harvey office through a merger in March 2015.

The bank opened the de novo Red Lake Falls office in November 2019.

The bank opened the de novo Medina office in December 2021.

CREDIT PRODUCTS

The bank seeks to meet the credit needs of individuals and firms living and doing business within its assessment areas by making the following types of loans available to qualified borrowers on the basis of demonstrated proper purpose and borrower qualifications:

Agricultural Loans
Commercial Loans
Construction Loans
Small Business Loans
Home Mortgage Loans
 1-4 Family dwellings
 5 or more family dwellings
Home Improvement Loans
Home Equity Loans
Community Development Loans
Consumer Loans, including, but not limited to
 Vehicle Loans
 Debt Consolidation/Personal Loans
 Ready Reserve Loans
 Visa Credit Cards

COMMUNITY CREDIT NEEDS

The Bank currently participates in and will continue to participate in a broad range of community based programs designed to meet the credit needs of its local community through credit services, direct personal involvement of its employees, and cooperation with community officials and agencies.

DEPOSIT PRODUCTS

The bank seeks to make available Deposit products that would be available to segments of our assessment area. The following are the products the bank offers:

Frontier Checking Account – No minimum balance to open the account.

If balance falls below \$0.00 any day in the statement cycle, the following fees apply:
\$3.00 service charge and \$0.15 per debit item.

No service charge or per debit item is imposed for Seniors age 62 and over and Students age 22 and under whose parents have an account relationship with Dakota Heritage Bank.

Pioneer Checking Account - \$750.00 minimum balance to open the account.

If balance falls below \$750.00 any day in the statement cycle, the following fees apply:
\$5.00 service charge and \$0.15 per debit item.

Pioneer Plus Account - \$2,500.00 minimum balance to open the account

If balance falls below \$2,500.00 any day in the statement cycle, the following fees apply:
\$10.00 service charge and \$0.20 per debit item.

Business Pioneer Plus Checking Account - \$2500.00 minimum balance to open the account.

If balance falls below \$2,500.00 any day in the statement cycle, the following fees apply: \$10.00 service charge and \$0.20 per debit item.

Business Interest Checking - \$750.00 minimum balance to open the account.

If balance falls below \$750.00 any day in the statement cycle, the following fees apply: \$5.00 service charge and \$0.15 per debit item.

Heritage Money Market Account - \$2,500.00 minimum balance to open the account.

Limitations - \$500.00 minimum withdrawal.

Business Heritage Money Market Account - \$2500.00 minimum balance to open the account.

Limitations – \$500.00 minimum withdrawal.

Traditional Savings Account - \$10.00 minimum balance to open the account.

If the balance falls below \$100.00 any day of the calendar month, the following fees apply: \$4.00 service charge.

No Service Charge is imposed for Seniors age 62 and over and Students age 26 and under whose parents have an account relationship with Dakota Heritage Bank.

Grow With Us Savings Account – \$10.00 minimum balance to open the account.

Account owner must be 20 years old or under (minors must be joint with an adult)

No Service Charge is imposed on account

Certificates of Deposit

\$500.00 minimum to open all terms except the 30 month, which requires a \$2,500.00 minimum to open.

Individual Retirement Accounts

No minimum balance required.

Health Savings Accounts

No minimum balance required.

A \$2.00 per month administrative fee.

FEES

Account Research	\$15.00 per Hour
Account Balancing Assistance	\$20.00 per Hour
Overdraft Paid Item Charge	\$20.00 per Item not to exceed \$100.00 per day
NSF Return Item Charge	\$25.00 per Return Item
Continuous Overdraft Charge	\$20.00 after 10 days
Stop Payments	\$20.00 per Item
Stop Payment Lost Check Book	\$20.00 per Book
Wire Transfer Outgoing	\$15.00
Wire Transfer Incoming	\$10.00
Bank Money Orders	\$3.00 per check
Personal Money Order	\$2.00 per check
Cashier's Check	\$3.00 per Check
Lost Debit Card	\$5.00
Automatic Transfer	\$2.00 per transfer
Chargeback Check Fee	\$2.00 per item

LOAN FEES – North Dakota

Filing Fee	Exact cost of filing
Late Payment Fee	\$25.00.
1-4 Family RE	Origination fee 1% of loan, \$250 minimum. Exact cost of Abstract, Attorney's Opinions, etc.
Loan Origination Fee	\$75.00
Loan Extension Fee	\$25.00

LOAN FEES – Minnesota

Filing Fee	Exact cost of filing
Late Payment Fee	\$8.00
1-4 Family RE	Origination Fee 1% of loan, \$250 minimum. Exact cost of Abstract, Attorney's Opinions, etc.
Loan Origination Fee	\$75.00 for loans over \$7,344 and \$25.00 for loans under \$7,344
Loan Extension Fee	\$25.00

Dakota Heritage Bank LOAN TO DEPOSIT RATIO

03/31/2022	63.22%	3/31/2023	73.88%
06/30/2022	69.96%	6/30/2023	86.48%
09/30/2022	77.82%	9/30/2023	93.91%
12/31/2022	78.69%	12/31/2023	92.75%

HOURS

The bank is available to conduct transactions and for assistance for its customers and the community during the following hours.

Main Bank – Hunter

109 Main St, Hunter, ND 58048

Monday – Friday 8:00 A.M. to 4:00 P.M.

Branch Bank – Grandin

208 3rd St, Grandin, ND 58038

Monday – Friday 9:00 A.M. to 3:30 P.M.

Branch Bank – Galesburg

104 Dakota Ave E, Galesburg, ND 58035

Monday – Friday 8:00 A.M. to 4:00 P.M.

Branch Bank – Hillsboro

212 West Caledonia Ave, Hillsboro, ND 58045

Monday – Friday 8:30 A.M. to 4:00 P.M. Lobby
8:00 A.M. to 4:30 P.M. Drive-up

Branch Bank – Hope

210 Steele Ave, Hope, ND 58046

Monday – Friday 8:00 A.M. to 4:00 P.M.

Branch Bank – Gackle

325 Main St, Gackle, ND 58442

Monday – Friday 9:00 A.M. to 4:00 P.M.

Branch Bank – Jud
520 Logie St, Jud, ND 58454

Monday – Friday 9:00 A.M. to 12:00 P.M.
1:00 P.M. to 3:00 P.M.

Branch Bank – Streeter
101 N Florence St, Streeter, ND 58483

Monday – Friday 9:00 A.M. to 4:00 P.M.

Branch Bank – Harvey
920 Lincoln Ave, Harvey, ND 58341

Monday – Friday 8:30A.M. to 4:00 P.M. Lobby
8:00 A.M. to 5:00 P.M. Drive-up
Saturday 8:00 A.M. to 12:00 P.M. Drive-up

Branch Bank – Red Lake Falls
101 7th St SE, Red Lake Falls, MN 56750

Monday – Wednesday, Friday 7:30 A.M. to 4:30 P.M. Lobby & Drive-up
Thursday 7:30 A.M. to 5:00 P.M. Lobby & Drive-up
Saturday 9:00 A.M. to 12:00 P.M. Lobby & Drive-up

Branch Bank – Medina
101 2nd Ave SW, Medina, ND 58467

Monday – Friday 8:30 A.M. to 4:00 P.M.

The Bank makes VISA CheckCards, Visa Gift Cards, and Visa Travel Cards available.

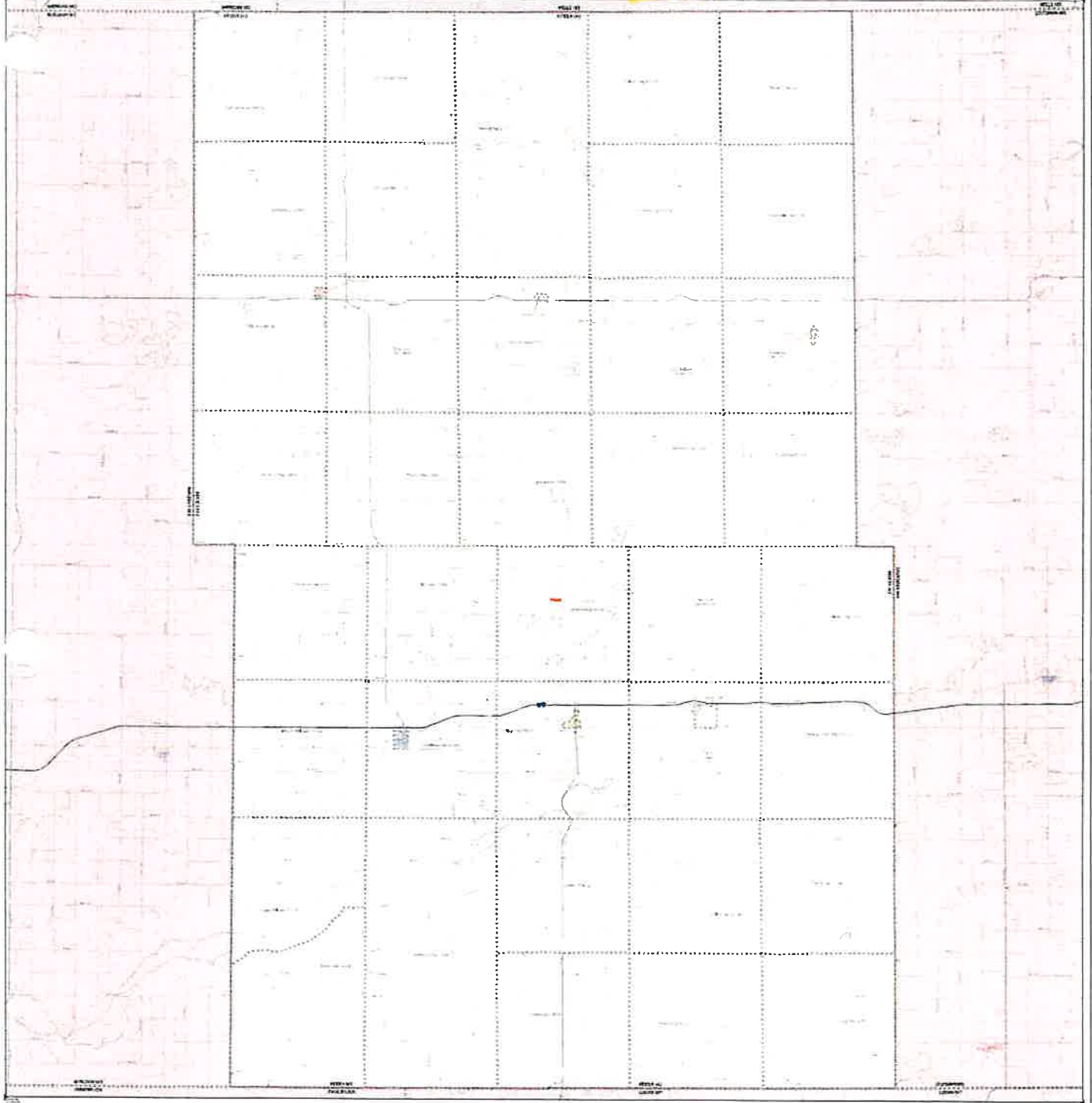
The Bank also offers Online Banking, Mobile Banking App, Mobile Deposit, and Remote Deposit Capture.

The Bank offers ATM services at the Hunter, Hillsboro, Hope, Gackle, Harvey, and Red Lake Falls bank locations as well as the Northern Cass School (Hunter, ND), Hillsboro Events Center (Hillsboro, ND), Hope Public School (Hope, ND), St Aloisius Medical Center (Harvey, ND), Harvey Bottle Shop (Harvey, ND), Harvey High School (Harvey, ND), Little Mart (Harvey, ND), Peaceful Valley Golf Course (Harvey, ND), Warehouse Grocery (Harvey, ND), Farm & Family Center (Hurdsville, ND), Mad Moves (Steele, ND), Lafayette High School (Red Lake Falls, MN), Cardin Hunt Arena (Red Lake Falls, MN), and Red Lake Falls American Legion (Red Lake Falls, MN)

Revised 2/2024

Community Reinvestment Act Assessment Area

2020 CENSUS - CENSUS TRACT REFERENCE MAP: Kidder County, ND



CLASSIFICATION	SYMBOL	DESCRIPTION	CLASSIFICATION	SYMBOL	DESCRIPTION
Water	Blue	Water	Water	Blue	Water
Highway	Red	Highway	Highway	Red	Highway
County Boundary	Black	County Boundary	County Boundary	Black	County Boundary
City Boundary	Black	City Boundary	City Boundary	Black	City Boundary
State Boundary	Black	State Boundary	State Boundary	Black	State Boundary
Section Boundary	Black	Section Boundary	Section Boundary	Black	Section Boundary
Block Boundary	Black	Block Boundary	Block Boundary	Black	Block Boundary
Tract Boundary	Black	Tract Boundary	Tract Boundary	Black	Tract Boundary

When indicated, this report uses the 2020 Census data for the 2020 Census. The 2020 Census data is the most current data available for the 2020 Census. The 2020 Census data is the most current data available for the 2020 Census.

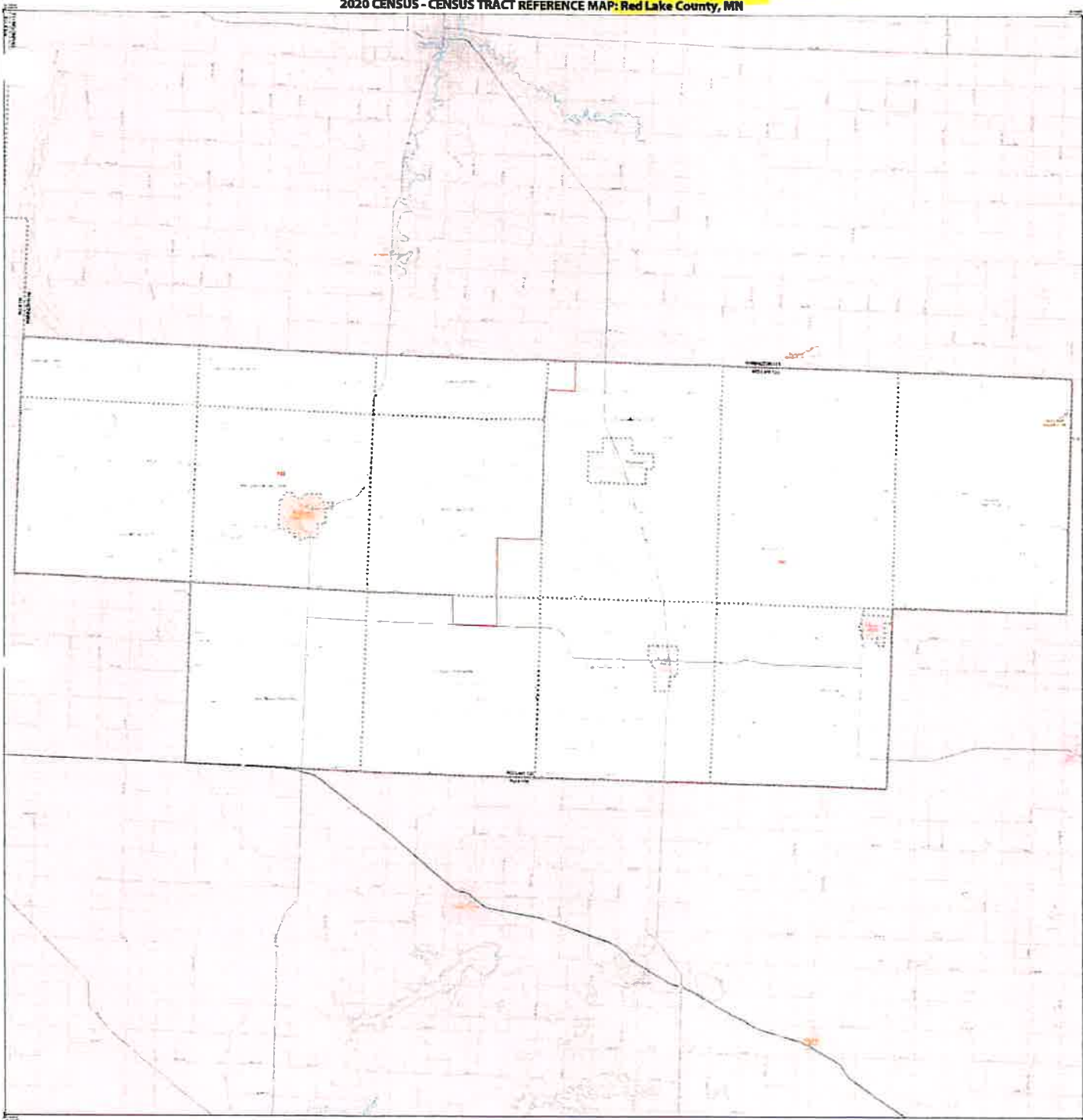
Map of North Dakota showing the location of Kidder County. The map includes a scale bar and a north arrow.

Scale: 1 inch = 10 miles

North Arrow

Sheet 3 of 3 PART 01 sheets
Total Sheets: 1 Sheet 01, Part 01, Sheet 02
Kidder County, ND
2020 Census - Census Tract Reference Map
© 2020 Census Bureau

2020 CENSUS - CENSUS TRACT REFERENCE MAP: Red Lake County, MN



LINE STYLE	SYMBOL	DESCRIPTION	SYMBOL	DESCRIPTION
-----		Section Boundary		Section Boundary
-----		County Boundary		County Boundary
-----		Water		Water
-----		Highway		Highway
-----		Other Road		Other Road
-----		Other Boundary		Other Boundary
-----		Other Feature		Other Feature

Legend

When necessary, a 1/4 section grid is shown for reference. The 1/4 section grid is shown for reference only and is not to be used for legal purposes. The 1/4 section grid is shown for reference only and is not to be used for legal purposes.

1. This map is a reference map and is not to be used for legal purposes. The 1/4 section grid is shown for reference only and is not to be used for legal purposes.

2. Census tracts are shown in orange and are not to be used for legal purposes. The 1/4 section grid is shown for reference only and is not to be used for legal purposes.

3. Water bodies are shown in light blue and are not to be used for legal purposes. The 1/4 section grid is shown for reference only and is not to be used for legal purposes.

4. Other boundaries and features are shown in various colors and are not to be used for legal purposes. The 1/4 section grid is shown for reference only and is not to be used for legal purposes.

Scale: 1 inch = 1 mile

North Arrow

Map Information:

Map Date: 2020

Map Title: 2020 Census - Census Tract Reference Map: Red Lake County, MN

Map Author: Minnesota Department of Commerce

Map Contact: Minnesota Department of Commerce, 1000 University Ave., St. Paul, MN 55102

Map Phone: (612) 296-3000

Map Fax: (612) 296-3001

Map Email: commerce@state.mn.us

Map Website: www.commerce.state.mn.us

Map Copyright: © 2020 Minnesota Department of Commerce

Map License: This map is a reference map and is not to be used for legal purposes. The 1/4 section grid is shown for reference only and is not to be used for legal purposes.



Community Reinvestment Act

Public Handout

2023 Community Reinvestment Act Statement

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Home Equity Loans
Community Development Loans
Consumer Loans, including, but not limited to
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 Debt Consolidation/Personal Loans
 Ready Reserve Loans
 Visa Credit Cards

COMMUNITY CREDIT NEEDS

The Bank currently participates in and will continue to participate in a broad range of community based programs designed to meet the credit needs of its local community through credit services, direct personal involvement of its employees, and cooperation with community officials and agencies.

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Frontier Checking Account – No minimum balance to open the account.

If balance falls below \$0.00 any day in the statement cycle, the following fees apply:
\$3.00 service charge and \$0.15 per check fee.

No service charge or per check fee is imposed for Seniors age 62 and over and Students age 22 and under whose parents have an account relationship with Dakota Heritage Bank.

Pioneer Checking Account - \$750.00 minimum balance to open the account.

If balance falls below \$750.00 any day in the statement cycle, the following fees apply:
\$5.00 service charge and \$0.15 per check fee.

Pioneer Plus Account - \$2,500.00 minimum balance to open the account

If balance falls below \$2,500.00 any day in the statement cycle, the following fees apply:
\$10.00 service charge and \$0.20 per check fee

Business Pioneer Plus Checking Account - \$2500.00 minimum balance to open the account.

If balance falls below \$2,500.00 any day in the statement cycle, the following fees apply: \$10.00 service charge and \$0.20 per check fee

Business Interest Checking - \$750.00 minimum balance to open the account.

If balance falls below \$750.00 any day in the statement cycle, the following fees apply: \$5.00 service charge and \$0.15 per check fee.

Heritage Money Market Account - \$2,500.00 minimum balance to open the account.

Limitations - 6 preauthorized transfers. \$500.00 minimum withdrawal.

Business Heritage Money Market Account - \$2500.00 minimum balance to open the account.

Limitations – 6 preauthorized transfers. \$500.00 minimum withdrawal

Traditional Savings Account - \$10.00 minimum balance to open the account.

If the balance falls below \$100.00 any day of the calendar month, the following fees apply: \$4.00 service charge.

No Service Charge is imposed for Seniors age 62 and over and Students age 22 and under whose parents have an account relationship with Dakota Heritage Bank.

Grow With Us Savings Account – \$10.00 minimum balance to open the account.

Account owner must be 20 years old or under (minors must be joint with an adult)

No Service Charge is imposed on account

Certificates of Deposit

\$500.00 minimum to open all terms except the 30 month, which requires a \$2,500.00 minimum to open.

Individual Retirement Accounts

No minimum balance required.

Health Savings Accounts

No minimum balance required.

A \$2.00 per month administrative fee.

FEES

Account Research	\$15.00 per Hour
Account Balancing Assistance	\$20.00 per Hour
Overdraft Paid Item Charge	\$20.00 per Item not to exceed \$100.00 per day
NSF Return Item Charge	\$25.00 per Return Item
Continuous Overdraft Charge	\$20.00 after 10 days
Stop Payments	\$20.00 per Item
Stop Payment Lost Check Book	\$20.00 per Book
Wire Transfer Outgoing	\$15.00
Wire Transfer Incoming	\$10.00
Bank Money Orders	\$3.00 per check
Personal Money Order	\$2.00 per check
Cashier's Check	\$3.00 per Check
Garnishment	\$15.00
Levies	\$15.00
Collections	\$15.00 per Item
Lost Debit Card	\$5.00
Automatic Transfer	\$2.00 per transfer
Chargeback Check Fee	\$2.00 per item

LOAN FEES – North Dakota

Filing Fee	Exact cost of filing
Late Payment Fee	\$25.00.
1-4 Family RE	Origination fee 1% of loan, \$250 minimum. Exact cost of Abstract, Attorney's Opinions, etc.
Loan Origination Fee	\$75.00
Loan Extension Fee	\$25.00

LOAN FEES – Minnesota

Filing Fee	Exact cost of filing
Late Payment Fee	\$8.00
1-4 Family RE	Origination Fee 1% of loan, \$250 minimum. Exact cost of Abstract, Attorney's Opinions, etc.
Loan Origination Fee	\$75.00 for loans over \$6,912 and \$25.00 for loans under \$6,912
Loan Extension Fee	\$25.00

Dakota Heritage Bank LOAN TO DEPOSIT RATIO

03/31/2021	62.95%	03/31/2022	63.22%
06/30/2021	68.69%	06/30/2022	69.96%
09/30/2021	68.43%	09/30/2022	77.82%
12/31/2021	66.53%	12/31/2022	78.69%

HOURS

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Monday – Friday 9:00 A.M. to 3:30 P.M.

Branch Bank – Galesburg

104 Dakota Ave E, Galesburg, ND 58035

Monday – Friday 8:00 A.M. to 4:00 P.M.

Branch Bank – Hillsboro

212 West Caledonia Ave, Hillsboro, ND 58045

Monday – Friday 8:30 A.M. to 4:00 P.M. Lobby
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Branch Bank – Hope

210 Steele Ave, Hope, ND 58046

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Branch Bank – Gackle

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Monday – Friday 9:00 A.M. to 4:00 P.M.

Branch Bank – Jud
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1:00 P.M. to 3:00 P.M.

Branch Bank – Streeter
101 N Florence St, Streeter, ND 58483

Monday – Friday 9:00 A.M. to 4:00 P.M.

Branch Bank – Harvey
920 Lincoln Ave, Harvey, ND 58341

Monday – Friday 8:30A.M. to 4:00 P.M. Lobby
8:00 A.M. to 5:00 P.M. Drive-up
Saturday 8:00 A.M. to 12:00 P.M. Drive-up

Branch Bank – Red Lake Falls
101 7th St SE, Red Lake Falls, MN 56750

Monday – Wednesday, Friday 7:30 A.M. to 4:30 P.M. Lobby & Drive-up
Thursday 7:30 A.M. to 5:00 P.M. Lobby & Drive-up
Saturday 9:00 A.M. to 12:00 P.M. Lobby & Drive-up

Branch Bank – Medina
101 2nd Ave SW, Medina, ND 58467

Monday – Friday 8:30 A.M. to 4:00 P.M.

The Bank makes VISA CheckCards, Visa Gift Cards, and Visa Travel Cards available.

The Bank also offers Online Banking, Mobile Banking App, Mobile Deposit, and Remote Deposit Capture.

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Pioneer Plus Account - \$2,500.00 minimum balance to open the account

If balance falls below \$2,500.00 any day in the statement cycle, the following fees apply:
\$10.00 service charge and \$0.20 per check fee

Business Pioneer Plus Checking Account - \$2500.00 minimum balance to open the account.

If balance falls below \$2,500.00 any day in the statement cycle, the following fees apply: \$10.00 service charge and \$0.20 per check fee

Business Interest Checking - \$750.00 minimum balance to open the account.

If balance falls below \$750.00 any day in the statement cycle, the following fees apply: \$5.00 service charge and \$0.15 per check fee.

Heritage Money Market Account - \$2,500.00 minimum balance to open the account.

Limitations - 6 preauthorized transfers. \$500.00 minimum withdrawal.

Business Heritage Money Market Account - \$2500.00 minimum balance to open the account.

Limitations – 6 preauthorized transfers. \$500.00 minimum withdrawal

Traditional Savings Account - \$10.00 minimum balance to open the account.

If the balance falls below \$100.00 any day of the calendar month, the following fees apply: \$4.00 service charge.

No Service Charge is imposed for Seniors age 62 and over and Students age 22 and under whose parents have an account relationship with Dakota Heritage Bank.

Grow With Us Savings Account – \$10.00 minimum balance to open the account.

Account owner must be 20 years old or under (minors must be joint with an adult)

No Service Charge is imposed on account

Certificates of Deposit

\$500.00 minimum to open all terms except the 30 month, which requires a \$2,500.00 minimum to open.

Individual Retirement Accounts

No minimum balance required.

Health Savings Accounts

No minimum balance required.

A \$2.00 per month administrative fee.

FEES

Account Research	\$15.00 per Hour
Account Balancing Assistance	\$20.00 per Hour
Overdraft Paid Item Charge	\$20.00 per Item not to exceed \$100.00 per day
NSF Return Item Charge	\$25.00 per Return Item
Continuous Overdraft Charge	\$20.00 after 10 days
Stop Payments	\$20.00 per Item
Stop Payment Lost Check Book	\$20.00 per Book
Wire Transfer Outgoing	\$15.00
Wire Transfer Incoming	\$10.00
Bank Money Orders	\$3.00 per check
Personal Money Order	\$2.00 per check
Cashier's Check	\$3.00 per Check
Garnishment	\$15.00
Levies	\$15.00
Collections	\$15.00 per Item
Lost Debit Card	\$5.00
Automatic Transfer	\$2.00 per transfer
Chargeback Check Fee	\$2.00 per item

LOAN FEES – North Dakota

Filing Fee	Exact cost of filing
Late Payment Fee	\$25.00.
1-4 Family RE	Origination fee 1% of loan, \$250 minimum. Exact cost of Abstract, Attorney's Opinions, etc.
Loan Origination Fee	\$75.00
Loan Extension Fee	\$25.00

LOAN FEES – Minnesota

Filing Fee	Exact cost of filing
Late Payment Fee	\$8.00
1-4 Family RE	Origination Fee 1% of loan, \$250 minimum. Exact cost of Abstract, Attorney's Opinions, etc.
Loan Origination Fee	\$75.00 for loans over \$6,912 and \$25.00 for loans under \$6,912
Loan Extension Fee	\$25.00

Dakota Heritage Bank LOAN TO DEPOSIT RATIO

3/31/20	84.62%	03/31/2021	62.95%
6/30/20	85.38%	06/30/2021	68.69%
9/30/20	79.53%	09/30/2021	68.43%
12/31/20	72.19%	12/31/2021	66.53%

HOURS

The bank is available to conduct transactions and for assistance for its customers and the community during the following hours.

Main Bank – Hunter

109 Main St, Hunter, ND 58048

Monday – Friday 8:00 A.M. to 4:00 P.M.

Branch Bank – Grandin

208 3rd St, Grandin, ND 58038

Monday – Friday 9:00 A.M. to 3:30 P.M.

Thursdays 9:00 A.M. to 4:30 P.M.

Branch Bank – Galesburg

104 Dakota Ave E, Galesburg, ND 58035

Monday – Friday 8:00 A.M. to 4:00 P.M.

Branch Bank – Hillsboro

212 West Caledonia Ave, Hillsboro, ND 58045

Monday – Friday 8:30 A.M. to 4:00 P.M. Lobby
8:00 A.M. to 4:30 P.M. Drive-up

Branch Bank – Hope

210 Steele Ave, Hope, ND 58046

Monday – Friday 8:00 A.M. to 4:00 P.M.

Branch Bank – Gackle

325 Main St, Gackle, ND 58442

Monday – Friday 9:00 A.M. to 4:00 P.M.

**Branch Bank – Jud
520 Logie St, Jud, ND 58454**

Monday – Friday 9:00 A.M. to 12:00 P.M.
1:00 P.M. to 3:00 P.M.

**Branch Bank – Streeter
101 N Florence St, Streeter, ND 58483**

Monday – Friday 9:00 A.M. to 4:00 P.M.

**Branch Bank – Harvey
920 Lincoln Ave, Harvey, ND 58341**

Monday – Friday 8:30 A.M. to 4:00 P.M. Lobby
8:00 A.M. to 5:00 P.M. Drive-up
Saturday 8:00 A.M. to 12:00 P.M. Drive-up

**Branch Bank – Red Lake Falls
101 7th St SE, Red Lake Falls, MN 56750**

Monday – Wednesday, Friday 7:30 A.M. to 4:30 P.M. Lobby & Drive-up
Thursday 7:30 A.M. to 5:00 P.M. Lobby & Drive-up
Saturday 9:00 A.M. to 12:00 P.M. Lobby & Drive-up

**Branch Bank – Medina
101 2nd Ave SW, Medina, ND 58467**

Monday – Friday 8:30 A.M. to 4:00 P.M.

The Bank makes VISA CheckCards, Visa Gift Cards, and Visa Travel Cards available.

The Bank also offers Online Banking, Mobile Banking App, Mobile Deposit, and Remote Deposit Capture.

The Bank offers ATM services at the Hunter, Hillsboro, Hope, Gackle, Harvey, and Red Lake Falls bank locations as well as the Northern Cass School (Hunter, ND), Hope Public School (Hope, ND), Hillsboro Events Center (Hillsboro, ND), St Aloisius Medical Center (Harvey, ND), the Harvey Bottle Shop (Harvey, ND), the Farm & Family Center (Hurdsfield, ND), Lafayette High School (Red Lake Falls, MN), and the Cardin Hunt Arena (Red Lake Falls, MN).

Community Reinvestment Act Performance Evaluation

PUBLIC DISCLOSURE

December 7, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Dakota Heritage Bank
Certificate Number: 16231

109 Main Street
Hunter, North Dakota 58048

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 following points summarize the bank's Community Reinvestment Act (CRA) performance:

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- The institution made a substantial majority of its small farm and small business loans within its assessment areas.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects a reasonable penetration among farms and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

DESCRIPTION OF INSTITUTION

Dakota Heritage Bank is wholly owned by Hunter Holding Company, a one-bank holding company located in Hunter, North Dakota. Dakota Heritage Bank received a Satisfactory rating at its previous FDIC Performance Evaluation, dated December 9, 2014, based on Interagency Small Institution Examination Procedures.

Dakota Heritage Bank operates from its main office in Hunter, as well as nine full-service branches. Eight of these branches are located in North Dakota: Gackle, Galesburg, Grandin, Harvey, Hillsboro, Hope, Jud, and Streeter. The bank also operates a full-service branch in Red Lake Falls, Minnesota. The bank acquired The National Bank of Harvey and its sole office in Harvey in March 2015 and opened the branch in Red Lake Falls in November 2019. The bank has not closed any branches since the previous evaluation.

Dakota Heritage 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 participates in various government-sponsored loan programs, such as those through the Farm Service Agency and Small Business Administration (SBA). Furthermore, the bank originated 245 loans totaling \$8.5 million through the SBA's Paycheck Protection Program, which assisted small businesses struggling with the impact of the COVID-19 pandemic.

Dakota Heritage 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 fourteen cash-dispensing ATMs.

As of September 30, 2020, the bank reported total assets of \$235.6 million, total loans of \$166.8 million, and total deposits of \$206.6 million; the table below illustrates the loan portfolio. Further, examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

Loan Portfolio Distribution as of September 30, 2020		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	2,565	1.5
Secured by Farmland	33,814	20.3
Secured by 1-4 Family Residential Properties	10,744	6.4
Secured by Multifamily (5 or more) Residential Properties	1,218	0.7
Secured by Nonfarm Nonresidential Properties	4,564	2.7
Total Real Estate Loans	52,905	31.6
Commercial and Industrial Loans	23,689	14.2
Agricultural Production and Other Loans to Farmers	80,184	48.1
Consumer Loans	9,383	5.6
Obligations of State and Political Subdivisions in the U.S.	517	0.3
Other Loans	84	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	166,762	100.0
<i>Source: Reports of Condition and Income Due to rounding, totals may not equal 100.0%</i>		

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Dakota Heritage Bank has four designated assessment areas: Hunter Assessment Area, Hillsboro Assessment Area, Gackle Assessment Area, and Red Lake Falls Assessment Area.

The CRA also requires regulatory agencies to assign ratings for each state in which the bank operates. While the bank operates in both North Dakota and Minnesota, examiners did not assign separate state ratings given the lack of information to draw meaningful conclusions due to the newness of the Red Lake Falls branch in Minnesota. Further, examiners did not review the bank's geographic distribution and borrower profile performance in the Red Lake Falls Assessment Area. Therefore, the bank's performance under these criteria was only evaluated in the North Dakota assessment areas, as applicable, and this evaluation does not include any further discussion of the Red Lake Falls Assessment Area. Complete descriptions of the remaining assessment areas are presented later in the evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the time period from the prior evaluation dated December 9, 2014, to the current evaluation dated December 7, 2020. Examiners used Interagency Small Institution Examination Procedures to evaluate the institution's CRA performance.

Examiners used full-scope examination procedures to assess the bank's performance in each assessment area reviewed. To assess the bank's overall performance, examiners gave equal weight amongst the assessment areas reviewed.

Activities Reviewed

Examiners determined that the bank's major product lines are agricultural and commercial lending. This conclusion considered the bank's business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of the bank's loan portfolio.

Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. Therefore, examiners reviewed all small business and small farm loans originated, renewed, or extended between January 1, 2019, and December 31, 2019, including paid-off loans. Bank management indicated that the loans reviewed were representative of the institution's performance during the entire evaluation period, and bank data confirmed this statement. As a result, examiners did not review any additional years of data. Home mortgage loans represent only 8.7 percent of the bank's portfolio, by dollar volume, and are not a primary lending focus of the institution. Therefore, examiners did not review home mortgage loans since it would not provide any additional support for conclusions or the ratings. Small farm and small business loans were reviewed in all three assessment areas.

For the Assessment Area Concentration analysis, examiners reviewed the entire universe of small farm and small business loans. This consisted of 555 small farm loans totaling approximately \$57.5 million and 200 small business loans totaling approximately \$15.9 million. Next, examiners reviewed all small farm and small business loans located inside the assessment areas to perform the Geographic Distribution analysis. Lastly, examiners sampled small farm and small business loans from inside the assessment areas to conduct the Borrower Profile analysis. This consisted of 71 small farm loans totaling approximately \$6.3 million and 54 small business loans totaling approximately \$2.5 million. D&B data for 2019 provided a standard of comparison for the loans reviewed.

Small farm lending received more weight than small business lending when drawing conclusions under the Lending Test. This is because agricultural loans are the bank's largest credit product. Further, while examiners reviewed both the number and dollar volume of loans and presented both figures throughout the evaluation, they emphasized performance by number of loans when conducting the Geographic Distribution and Borrower Profile analyses. This is because the number of loans is a better indicator of geographies and borrowers served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Dakota Heritage 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, Dakota Heritage Bank's net loan-to-deposit ratio over the past 24 calendar quarters is similar to the comparable institution. Examiners selected the

comparable institution based on its asset size, branching structure, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 9/30/2020 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Dakota Heritage Bank, Hunter, North Dakota	235,559	88.8
First United Bank, Park River, North Dakota	283,966	84.9

Source: Reports of Condition and Income 12/31/2014 through 9/30/2020

Assessment Area Concentration

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

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Small Business	180	90.0	20	10.0	200	13,161	82.6	2,771	17.4	15,932
Small Farm	515	92.8	40	7.2	555	53,781	93.5	3,741	6.5	57,522

Source: Bank Data

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Reasonable performance was noted in all applicable assessment areas. The bank's assessment areas do not contain any low-income census tracts; therefore, examiners concentrated on the bank's record of lending in moderate-income census tracts. The Geographic Distribution analysis was not performed for the Hillsboro Assessment Area, as it is comprised of only middle-income census tracts. Detailed discussion of the bank's performance under this criterion is included in the applicable assessment area sections of the evaluation.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. Reasonable performance was noted in all assessment areas. Examiners focused on the percentage of small farm and small business loans, by number, to farms and businesses with gross annual revenues of \$1 million or less. Detailed discussion of the bank's performance is included in the applicable sections of the evaluation.

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal practices; therefore, this consideration did not affect the institution's overall CRA rating.

HUNTER ASSESSMENT AREA– Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE HUNTER ASSESSMENT AREA

The Hunter Assessment Area includes all of Cass County, which comprises a portion of the Fargo ND-MN Metropolitan Statistical Area (MSA). This assessment area is contiguous with the Hillsboro Assessment Area. The bank's main office in Hunter and branch in Grandin are located in this assessment area, both in middle-income census tracts.

Economic and Demographic Data

Bank management stated that the economy in Cass County is strong overall and that the smaller towns in the western and northern portions of the county are stable with some seeing growth as bedroom communities to the Fargo-Moorhead area. Dakota Heritage Bank primarily operates in the northern part of the county, which is more rural in nature and has an agricultural focus. The local agricultural economy has been tough in recent years, especially in 2019 when crops were not harvested in a timely manner and harvest carried over into the 2020 growing season. However, agricultural land values and rental rates have remained strong. Management stated that the average size of farms was in the 4,000-acre range.

To date, management stated that the COVID-19 pandemic has not had a significant impact on local businesses in the towns where the bank operates. The local cafes saw some downturn with the initial state-ordered shutdowns, but have since been holding their own.

The following table illustrates select demographic characteristics of the Hunter Assessment Area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	33	0.0	27.3	45.5	24.2	3.0
Population by Geography	162,500	0.0	23.7	34.8	39.6	1.9
Housing Units by Geography	73,190	0.0	26.8	36.4	34.5	2.2
Owner-Occupied Units by Geography	35,858	0.0	16.6	40.1	42.5	0.8
Occupied Rental Units by Geography	32,918	0.0	38.7	31.8	26.3	3.1
Vacant Units by Geography	4,414	0.0	21.4	41.1	31.4	6.0
Businesses by Geography	14,859	0.0	34.5	28.7	36.2	0.6
Farms by Geography	582	0.0	12.5	57.6	29.4	0.5
Family Distribution by Income Level	38,056	18.4	19.5	21.9	40.2	0.0
Household Distribution by Income Level	68,776	23.1	18.2	17.3	41.4	0.0
Median Family Income- Fargo, ND-MN MSA	\$75,010	Median Housing Value				\$167,249
		Median Gross Rent				\$708
		Families Below Poverty Level				6.5%
<i>Source: 2015 ACS and 2019 D&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

The Hunter Assessment Area is highly competitive for financial services. Per 2019 FDIC Deposit Market Share data, 34 financial institutions operate 82 offices in Cass County. Of these institutions, Dakota Heritage Bank ranked 22nd with a deposit market share of 0.4 percent. Bell Bank had the largest deposit market share at 39.3 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 contacted an individual active in the assessment area's agricultural sector. The contact agreed that the 2019 farm year was difficult as farms struggled with an early winter causing cash flows to be tight. According to the contact, government payments were beneficial to most growers and allowed farms to repay operating lines from 2019. The contact stated that the average farm size in the Red River Valley has continued to grow with most farms being at least 3,000 acres. The contact stated that the COVID-19 pandemic has had some negative effect on some restaurants but overall, the main street economies have remained steady. Further, the contact noted that area residents have the opportunity to commute to Grand Forks or Fargo for employment as these larger metro areas offer more opportunities. The interviewee stated the primary credit need of the area is agricultural loans followed by commercial loans. Finally, the contact noted that there is a high degree of competition among the many financial institutions within the assessment area, and financial institutions are doing a good job of addressing the area's credit needs.

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.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE HUNTER ASSESSMENT AREA

LENDING TEST

Dakota Heritage Bank has demonstrated reasonable performance under the Lending Test in the Hunter Assessment Area. The bank's performance under Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable small farm and small business lending performance supports this conclusion.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. Although lending in the moderate-income census tracts is lower than comparable demographic data, it should be noted that the assessment area's nine moderate-income census tracts are all located within the City of Fargo, where farming activity is rather limited and loan competition is quite strong. In addition, the bank offices within this assessment area are all located in the rural portion of northern Cass County, which is quite a distance from the moderate-income census tracts. Given the above, the geographic distribution of small farms loans in the Hunter Assessment Area is reasonable. The following table provides details.

Geographic Distribution of Small Farm Loans Hunter Assessment Area					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	12.5	2	2.8	790	6.8
Middle	57.6	66	91.7	10,302	88.2
Upper	29.4	4	5.6	594	5.1
Not Available	0.5	0	0.0	0	0.0
Totals	100.0	72	100.0	11,686	100.0

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

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Dakota Heritage Bank's performance in originating small business loans in the assessment area's moderate-income census tracts trails the comparable demographic data. However,

as discussed earlier, the assessment area's nine moderate-income census tracts are all located in the City of Fargo, where the subject bank does not have an office. In addition to the distance previously mentioned, numerous financial institutions compete heavily for small business loans within Fargo-Moorhead. Therefore, the geographic distribution of small business loans in the Hunter Assessment Area is reasonable. The following table provides details.

Geographic Distribution of Small Business Loans Hunter Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	34.5	5	9.3	133	5.5
Middle	28.7	47	87.0	2,212	92.3
Upper	36.2	2	3.7	52	2.2
Not Available	0.6	0	0.0	0	0.0
Totals	100.0	54	100.0	2,397	100.0

Source: 2019 D&B Data; Bank Data

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. While the small business lending performance is excellent, the small farm lending performance carries more weight and is the driving factor in forming this conclusion.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. Although lending to farms with gross annual revenues of \$1 million or less is lower than the comparable D&B data, several factors explain this lag. Two borrowers are responsible for all four of the loans to farmers with gross annual revenues greater than \$1 million, which somewhat skews the data. In addition, the 2017 Census of Agriculture revealed that 37.0 percent of producers in Cass County did not list farming as their primary occupation and 46.4 percent of the farm operations did not report any interest expense. Therefore, it appears that many assessment area farmers have off-farm income and/or may not rely on credit to support their farm operations. Finally, noticeable competition for small farm loans exists inside the assessment area. Given the above, the bank's performance in lending to farms of all sizes is reasonable. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category Hunter Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.2	11	73.3	2,017	86.5
>1,000,000	2.9	4	26.7	314	13.5
Revenue Not Available	0.9	0	0.0	0	0.0
Total	100.0	15	100.0	2,331	100.0
<i>Source: 2019 D&B Data, Bank Data.</i>					

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes. All 16 of the small business loans, totaling \$482,000, were originated to operations with gross annual revenues of \$1 million or less. This performance is higher than 2019 D&B data, which indicates that 81.1 percent of reporting businesses in the assessment area have revenues in this income category.

HILLSBORO ASSESSMENT AREA– Full-Scope Review

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE
HILLSBORO ASSESSMENT AREA**

The Hillsboro Assessment Area is comprised of all of Traill and Steele counties and is contiguous with the Hunter Assessment Area. The Hillsboro, Hope, and Galesburg offices are located in this assessment area.

Economic and Demographic Data

The Hillsboro Assessment is rural in nature and the local economy is dominated by the agricultural industry. Similar to the Hunter Assessment Area, the 2019 growth season was challenging due to poor harvest conditions. Agricultural land values and rental rates have remained strong and the average size of farms in assessment area is approximately 4,000 acres per bank management. The city of Hillsboro’s population has benefited by its central location between Grand Forks, North Dakota and Fargo, as many families have one or more person commuting for work.

Management stated that the COVID-19 pandemic has not had a significant impact on local businesses in the towns where the bank operates. Management credited that fact to most of the local businesses being agricultural-based and not directly impacted by state mandates. The following table illustrates select demographic characteristics of the Hillsboro Assessment Area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	0.0	100.0	0.0	0.0
Population by Geography	10,056	0.0	0.0	100.0	0.0	0.0
Housing Units by Geography	5,061	0.0	0.0	100.0	0.0	0.0
Owner-Occupied Units by Geography	3,134	0.0	0.0	100.0	0.0	0.0
Occupied Rental Units by Geography	1,092	0.0	0.0	100.0	0.0	0.0
Vacant Units by Geography	835	0.0	0.0	100.0	0.0	0.0
Businesses by Geography	807	0.0	0.0	100.0	0.0	0.0
Farms by Geography	192	0.0	0.0	100.0	0.0	0.0
Family Distribution by Income Level	2,543	15.8	18.2	25.0	40.9	0.0
Household Distribution by Income Level	4,226	24.9	17.1	19.9	38.1	0.0
Median Family Income Nonmetropolitan ND	\$72,414	Median Housing Value				\$99,177
		Median Gross Rent				\$546
		Families Below Poverty Level				6.2%
<i>Source: 2015 ACS and 2019 D&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

The Hillsboro Assessment Area is moderately competitive for financial services. Per 2019 FDIC Deposit Market Share data, 9 financial institutions operate 14 offices in in the assessment area. Of these institutions, Dakota Heritage Bank ranked 2nd with a deposit market share of 18.2 percent. The Goose River Bank had the largest deposit market share at 30.9 percent. Management noted that AgCountry Farm Credit Services is especially competitive for agricultural loans.

Community Contact

Since this assessment area is contiguous to the Hunter Assessment Area, has similar topography, and is as also heavily dependent on agriculture, comments from the previously discussed community contact would be relevant for this assessment area. The contact did specifically mention the high level of competition amongst banks in the Hillsboro Assessment 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.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE HILLSBORO ASSESSMENT AREA

LENDING TEST

Dakota Heritage Bank has demonstrated reasonable performance under the Lending Test in the Hillsboro Assessment Area. The bank's reasonable performance under the Borrower Profile criterion supports this conclusion.

Geographic Distribution

The Hillsboro Assessment Area does not include any low- and moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. The bank's reasonable small farm lending performance is the primary factor in supporting this conclusion; however, the excellent small business lending was also considered.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. Although lending to farms with gross annual revenues of \$1 million or less is lower than the comparable D&B data, it should be noted that according to 2017 Census of Agriculture data, approximately 41.5 percent of farms did not have interest expense. In addition, the data revealed that 42.5 percent of producers did not claim farming as their primary occupation. Therefore, it appears that many assessment area farmers have off-farm income and may not rely on credit to support their farm operations. Considering these factors, the borrower distribution is considered reasonable. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category Hillsboro Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	96.9	13	86.7	1,174	79.6
>1,000,000	2.6	2	13.3	300	20.4
Revenue Not Available	0.5	0	0.0	0	0.0
Total	100.0	15	100.0	1,474	100.0

Source: 2019 D&B Data, Bank Data.

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes. As shown in the following table, the bank extended 95.7 percent of the sampled small business loans to operations with gross annual revenues of \$1 million or less. This performance significantly exceeds the comparable 2019 D&B data.

Distribution of Small Business Loans by Gross Annual Revenue Category Hillsboro Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	76.7	22	95.7	1,461	98.6
>1,000,000	7.8	1	4.3	20	1.4
Revenue Not Available	15.5	0	0.0	0	0.0
Total	100.0	23	100.0	1,481	100.0

Source: 2019 D&B Data, Bank Data.

GACKLE ASSESSMENT AREA– Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE GACKLE ASSESSMENT AREA

The Gackle Assessment Area is located in central North Dakota and includes all of Sheridan, Wells, Kidder, and Logan counties, as well as Census Tract 9559 in McHenry County, Census Tract 9562 in Pierce County, Census Tract 9566 in Benson County, Census Tract 9672 in Stutsman County, and Census Tract 9722 in LaMoure County. This assessment area has expanded since the prior evaluation with the acquisition of the bank in Harvey in 2015. The bank's Gackle, Streeter, Harvey, and Jud offices are located in this assessment area. The Harvey office is located in a moderate-income census tract, while the Gackle, Streeter, and Jud locations are in middle-income census tracts.

Economic and Demographic Data

Bank management described the local economy as heavily dependent on agriculture with most main street businesses also dependent on agricultural activities. Management noted that many operators in the assessment area had carryover debt in 2019; however, 2020 was looking to be a better year with most producers seeing at least some profit. Preventive planting has played a large role in recent years. Farm real estate prices have remained relatively steady and the average size of farms is in the 2,500-acre range. The town of Harvey has seen a stable economy with some younger families moving to the area while Gackle and Streeter have seen their population’s age and main street businesses decline in the past decade. Management stated that the COVID-19 pandemic has had a limited impact on the assessment area. The following table illustrates select demographic characteristics of the Gackle Assessment Area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	10	0.0	20.0	80.0	0.0	0.0
Population by Geography	21,714	0.0	15.1	84.9	0.0	0.0
Housing Units by Geography	12,472	0.0	15.5	84.5	0.0	0.0
Owner-Occupied Units by Geography	7,869	0.0	14.7	85.3	0.0	0.0
Occupied Rental Units by Geography	1,992	0.0	21.0	79.0	0.0	0.0
Vacant Units by Geography	2,611	0.0	13.6	86.4	0.0	0.0
Businesses by Geography	2,158	0.0	16.5	83.5	0.0	0.0
Farms by Geography	798	0.0	10.0	90.0	0.0	0.0
Family Distribution by Income Level	6,386	23.7	19.3	23.8	33.3	0.0
Household Distribution by Income Level	9,861	29.0	17.1	18.4	35.5	0.0
Median Family Income Nonmetropolitan ND	\$72,414	Median Housing Value				\$87,476
		Median Gross Rent				\$529
		Families Below Poverty Level				7.6%
<i>Source: 2015 ACS and 2019 D&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

The Gackle Assessment Area is relatively competitive for financial services, especially considering its rural nature. Per 2019 FDIC Deposit Market Share data, 16 financial institutions operate 25 offices in the counties that comprise the assessment area. Of these institutions, Dakota Heritage Bank ranked 5th with a deposit market share of 6.9 percent. North Star Community Credit Union had the largest deposit market share at 24.7 percent.

Community Contact

Examiners contacted an individual active in the assessment area's agricultural sector. The contact stated that the area's economy is highly dependent on agriculture and agriculture-related businesses. The individual mirrored bank management's statements and indicated that the farming economy has been stressed in recent years due to decreased prices and yields. Regarding COVID-19, the contact was not aware of any specific difficulties, but stated that it was likely that some small businesses, especially restaurants, have struggled. The contact also mentioned that several ranchers participated in the SBA's Paycheck Protection Program. Per the contact, agricultural lending is the area's primary credit need, followed by commercial lending, and local financial institutions are meeting those needs.

Credit Needs

Similar to the other assessment areas, when 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.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE GACKLE ASSESSMENT AREA

LENDING TEST

Dakota Heritage Bank has demonstrated reasonable performance under the Lending Test in the Gackle Assessment Area. The bank's performance under Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable small farm and small business lending performance supports this conclusion.

Small Farm Loans

The geographic distribution of small farm loans reflects reasonable dispersion throughout the assessment area. As show in the following table, Dakota Heritage Bank's performance in originating small farm loans in the assessment area's moderate-income census tracts slightly trails the demographic data. However, it is still considered comparable especially when taking into consideration the dollar volume of lending.

Geographic Distribution of Small Farm Loans Gackle Assessment Area					
Tract Income Level	% of Farms	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	10.0	17	5.6	2,663	10.9
Middle	90.0	284	94.4	21,854	89.1
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	301	100.0	24,517	100.0

Source: 2019 D&B Data; Bank Data.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. As shown in the following table, Dakota Heritage Bank's performance in originating small business loans in the assessment area's moderate-income census tracts is similar to the comparable demographic data.

Geographic Distribution of Small Business Loans Gackle Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	16.5	6	12.5	202	3.7
Middle	83.5	42	87.5	5,326	96.3
Upper	0.0	0	0.0	0	0.0
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	48	100.0	5,528	100.0

Source: 2019 D&B Data; Bank Data

Borrower Profile

The distribution of borrowers reflects reasonable penetration among farms and businesses of different sizes. While the bank's small business lending performance is excellent, the reasonable small farm performance carried the most weight in forming this conclusion.

Small Farm Loans

The distribution of borrowers reflects reasonable penetration among farms of different sizes. Although lending to farms with gross annual revenues of \$1 million or less is lower than the comparable D&B data, a couple factors explain the difference. First, three of the four loans to farmers with gross annual revenues greater than \$1 million were to the same borrower, which somewhat skews the data. Furthermore, 2017 Census of Agriculture data revealed that 42.8 percent of producers in the assessment area's counties did not list farming as their primary occupation. Additionally, 47.4 percent of the farm operations did not report any interest expense. Therefore, many assessment area farmers have off-farm income and/or do not rely on credit to support their farm operations. When considering these factors, the borrower distribution is reasonable. The following table provides details.

Distribution of Small Farm Loans by Gross Annual Revenue Category Gackle Assessment Area					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
<=\$1,000,000	98.4	37	90.2	2,394	94.1
>1,000,000	1.4	4	9.8	150	5.9
Revenue Not Available	0.3	0	0.0	0	0.0
Total	100.0	41	100.0	2,544	100.0

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

Small Business Loans

The distribution of borrowers reflects excellent penetration among businesses of different revenue sizes. As shown in the table below, the sampled small business loans to operations with gross annual revenues of \$1 million or less exceeds the comparable 2019 D&B data.

Distribution of Small Business Loans by Gross Annual Revenue Category Gackle Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	77.8	14	93.3	443	81.6
>1,000,000	5.0	1	6.7	100	18.4
Revenue Not Available	17.2	0	0.0	0	0.0
Total	100.0	15	100.0	543	100.0
<i>Source: 2019 D&B Data, Bank Data.</i>					

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 geographic distribution of the bank's loans;
- 4) The institution'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; 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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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 institution 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.

HMDA Disclosure

Dakota Heritage Bank

Offices at
Hunter, Hope, Hillsboro, Galesburg, Grandin
Gackle, Streeter, Jud, Harvey, Medina, ND and Red Lake Falls, MN

The institution's HMDA Disclosure Statement
may be obtained on the Consumer Financial
Protection Bureau's website at:

<https://ffiec.cfpb.gov/data-publication/>

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