

**PUBLIC DISCLOSURE**

MAY 6, 1996

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

THE FARMERS STATE BANK  
309758  
10-08-0700

123 EAST KIOWA AVENUE  
P.O. BOX 798  
FORT MORGAN, COLORADO 80701

Federal Reserve Bank of Kansas City  
925 Grand Boulevard  
Kansas City, Missouri 64198

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of The Farmers State Bank, Fort Morgan, Colorado, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of May 6, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.*

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

In a manner consistent with its resources and capabilities, The Farmers State Bank's CRA performance is rated satisfactory. This satisfactory rating indicates the following: a reasonable net loan-to-deposit ratio; location of a majority of loans within the bank's assessment area; a reasonable geographic dispersion of loans within the bank's assessment area; and a reasonable penetration of loans among individuals of different income levels (including low- and moderate-income) and to farms of different sizes. These loans help meet the credit needs of the assessment area identified during the examination.

The following table indicates the performance level of The Farmers State Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The Farmers State Bank PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints received since the last examination		

## DESCRIPTION OF INSTITUTION

The Farmers State Bank has one location in the city of Fort Morgan, Colorado. The bank is a subsidiary of F.S.B. Bancorporation, Inc., a bank holding company. The March 31, 1996 Report of Condition ("Call Report") indicates total assets of \$118,456,000. The types of credit offered by the bank are as follows:

Agricultural loans	Commercial loans
Community development loans	Consumer loans
Small Business Administration ("SBA") loans	Business construction loans
Agricultural real estate loans	Residential construction loans
Residential real estate loans	

The March 31, 1996 Call Report indicates the following distribution of the bank's loans:

<u>Loan Types</u>	<u>Amount In Thousands</u>	<u>Percent of Total Loans</u>
Agricultural loans	\$30,162	55
Real estate loans	14,467	27
Commercial loans	6,151	11
Consumer loans	2,570	5
Other loans and obligations	<u>1,235</u>	<u>2</u>
Total	<u>\$54,585</u>	<u>100</u>

### **DESCRIPTION OF THE FARMERS STATE BANK'S ASSESSMENT AREA**

The bank's assessment area is Morgan County, Colorado. Eight block numbering areas ("BNAs") are included in the county. Each BNA is considered a middle income geography, although low-, moderate-, middle- and upper-income individuals are represented in the population. The four income levels are based upon the state, nonmetropolitan statistical area median family income of \$27,466. The bank primarily serves the city of Fort Morgan, as well as the surrounding towns and communities of Brush, Hillrose, Log Lane Village, Snyder, Weldona and Wiggins. According to the data published by the Fort Morgan Area Chamber of Commerce in 1993, the population of the city and county are 10,243 and 24,862, respectively. Community contacts stated the populations for both the city and county have experienced a 4 percent growth rate since the 1990 census data. Furthermore, the community contacts stated that the credit needs of the community are being met.

The economy of the Fort Morgan area is primarily based on agriculture. The area is quite diverse with crops, such as corn, beans, sugar beets, wheat and barley, in addition to cattle ranching and dairy production. The major businesses that employ a large number of the citizens in the area include Western Sugar Company, Excel (beef plant), and Leprino Foods (cheese factory). Additionally, major employers include the city and county government, the school districts, and a large medical facility.

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

The Farmers State Bank's performance under the CRA is considered satisfactory. The bank's lending levels reflect responsiveness to the most pressing community credit needs. This is evidenced by the farm, motor vehicle and unsecured loans which comprise the largest components of the bank's lending activity.

The performance tests for small banks include an assessment of the bank's net loans as a percent of total deposits; an evaluation of loan volume within the assessment area; an assessment of geographic dispersion of loans throughout the assessment area; an evaluation of lending activity to borrowers of different income levels and businesses and farms of different sizes; and an assessment of the bank's responsiveness to complaints. The bank's performance under these tests is addressed below.

### **Loan-to-Deposit Ratio Analysis**

The loan-to-deposit ratio for The Farmers State Bank is satisfactory given the bank's size and financial condition and the identified credit needs of the assessment area. The bank's past four quarter average loan-to-deposit ratio (ending in March 1996) was 55 percent. This ratio is reasonable compared to agricultural lenders of similar communities in northeastern Colorado. The loan-to-deposit ratios for these banks ranged between 44 and 70 percent, averaging 59 percent. The bank's loan-to-deposit ratio compared favorably with Colorado farm banks and the Federal Reserve Tenth District farm banks at 54 percent and 53 percent, respectively. All peer data was as of December 31, 1995.

### **Lending in Assessment Area**

A substantial majority of the bank's loan originations are located within the bank's assessment area. The three major loan types sampled during the examination included 38 motor vehicle, 44 unsecured loans, and 56 small farm loans. Ninety-four percent of the consumer motor vehicle loans sampled and 90 percent of the unsecured loans, were within the bank's assessment area. Of the small farms loans sampled, 80 percent were originated within the bank's assessment area. Additionally, 76 percent of the dollar volume of the loans sampled was originated within the bank's assessment area.

### **Lending to Borrowers of Different Incomes and to Farms of Different Sizes**

An analysis of the motor vehicle and unsecured loans was completed during the examination. The analysis compared the median family income for the area to the borrowers' reported income. The analysis demonstrates a favorable loan penetration among individuals of different income levels within the bank's assessment area.

DISTRIBUTION OF BORROWER BY INCOME LEVEL FOR CONSUMER MOTOR VEHICLE AND UNSECURED LOANS SAMPLED			
Income Category	Percentage of Population	Percentage of Motor Vehicle Loan Borrowers	Percentage of Unsecured Loan Borrowers
Less than 50 percent of the area family median income	20	24	19
At least 50 percent but less than 80 percent of the area family median income	20	28	27
At least 80 percent and less than 120 percent of the area family median income	24	21	30
120 percent or more of the area family median income	36	27	24
TOTAL	100%	100%	100%

Farm loans were evaluated based on the borrowers= reported cash flow for the respective farming operations. The distribution of loans to farms with gross annual revenues below \$100,000 is favorable. This data is shown in the following table:

DISTRIBUTION OF SMALL FARMS LOANS BY BORROWER INCOME LEVELS	
Income Category	Percentage of Farm Loans
Gross annual revenues less than or equal to \$100,000	77
Gross annual revenues greater than \$100,000 and less than \$250,000	10
Gross annual revenues greater than \$250,000 and less than \$1,000,000	13
TOTAL	100%

### **Geographic Distribution of Loans**

The bank's geographic distribution of loans reflects satisfactory dispersion throughout the assessment area. As previously noted, the bank's assessment area consists of all middle-income BNAs. The analysis revealed an even loan penetration throughout all BNAs in the assessment area.

In addition, bank management conducts its own geographic distribution analysis of loans. The analysis also shows an even distribution of consumer and agricultural loans throughout the assessment area.

### **Response to Complaints**

The bank has not received any complaints about its performance in meeting assessment area credit needs since the last examination. Therefore, an evaluation of the bank's performance in responding to complaints was not performed.

### **Compliance with Antidiscrimination Laws and Regulations**

The violations of the antidiscrimination laws and regulations identified during the fair lending component of the compliance examination were considered inadvertent and were not regarded as a pattern or practice. These findings do not negatively impact the bank's overall CRA rating.

