

The Citizens-Farmers Bank of Cole Camp
May 28, 1996

PUBLIC DISCLOSURE

May 28, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

THE CITIZENS-FARMERS BANK OF COLE CAMP
10-29-1080

P.O. BOX 219
COLE CAMP, MISSOURI 65325

Federal Reserve Bank of Kansas City

925 Grand Avenue
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 Citizens-Farmers Bank of Cole Camp, Cole Camp, Missouri, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of May 28, 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**.*

The bank has a satisfactory record of helping to meet the credit needs of its entire assessment area. The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. In addition, a majority of loans are in the institution's assessment area. Furthermore, the geographic distribution of loans and the distribution among borrowers of different income levels reflect a reasonable dispersion throughout the bank's assessment area.

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The following table indicates the performance level of The Citizens-Farmers Bank of Cole Camp with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The Citizens-Farmers Bank of Cole Camp 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 WERE RECEIVED SINCE THE PRIOR EXAMINATION		

DESCRIPTION OF INSTITUTION

The Citizens-Farmers Bank is located in Cole Camp, Missouri, approximately 18 miles south of Sedalia, Missouri. According to 1990 Census figures, the city of Cole Camp's total population approximates 1,050. The bank has the ability to meet the credit needs of its defined assessment area based on its financial condition, size and product offerings. According to the bank's March 31, 1996 Consolidated Reports of Condition and Income ("Call Report"), the bank's assets totaled \$46,334M, of which loans totaled \$26,838M or 58 percent. As shown below in the distribution table, the bank is primarily an agricultural and real estate lender; however, the bank offers a variety of loan products that meet community credit needs. Some of these include: commercial, consumer purpose, Farmers Home Administration ("FHA"), Small Business Administration ("SBA") and MOBUCKS loan programs.

The bank's March 31, 1996 Call Report reflected the following loan distribution:

THE BANK'S LOAN PORTFOLIO		
Loan Type	Amount (\$000)	Percent of Total
Farmland or agricultural	11,257	42
Multiple & 1- to 4-family real estate	8,269	31
Consumer	3,140	12
Nonfarm nonresidential	2,257	8
Commercial	1,729	6
Other	186	1
TOTAL	26,838	100

DESCRIPTION OF THE CITIZENS-FARMERS BANK OF COLE CAMP ASSESSMENT AREA

The bank's assessment area comprises six Block Numbering Areas ("BNAs") including portions of Benton, Morgan and Pettis Counties in Missouri. Benton County includes two middle-income and one moderate-income BNAs. One middle-income and one upper-income BNA in Pettis County and one middle-income BNA in Morgan County complete the bank's assessment area. According to 1990 census data, the total population of the assessment area is 16,269, with upper-income and middle-income families comprising the largest percentages of all families within the assessment area. The largest percentage of the assessment area's population resides in the more affluent Pettis County. The two Pettis County BNAs contain 44.8 percent of the assessment area families and 43 percent of the households. Per capita, personal income rose steadily at an average rate of 6.2 percent from 1990 to 1993 for the three counties. Additional assessment area characteristics are summarized in the following table:

BANK ASSESSMENT AREA CHARACTERISTICS	
Tract Summary	
Total Number of Tracts/ BNA(s)	6
Number of Low-Income Tracts/ BNA(s)	0
Number of Moderate-Income Tracts/ BNA(s)	1
Number of Middle-Income Tracts/ BNA(s)	4
Number of Upper-Income Tracts/ BNA(s)	1

Income Summary	
Median Family Income	\$24,442
Percent Low-Income Families	19.4
Percent Moderate-Income Families	19.7
Percent Middle-Income Families	21.2
Percent Upper-Income Families	39.7
Unemployment Summary	
Labor Force Population (Assessment Area)	7,623
Percent Unemployment (Assessment Area)	6.5
Percent Unemployment (State)	6.1
Miscellaneous Information	
Total Population	16,269
Percentage of Families Below Poverty	10.7
Percentage of Housing Units Vacant	23.7

Unemployment within the entire assessment area is comparable to statewide averages; however, the unemployment rate for Benton County is 9.2 percent, which significantly exceeds the state average. The local economy is largely dependent upon agriculture, retail trade and tourism; however, the number of agricultural jobs decreased by approximately 1 percent from 1990-1993. A longtime resident of the area familiar with the local labor market stated that the Benton County population is steadily increasing, yet the number of available jobs remains the same or is decreasing. Many Benton County residents are forced to commute approximately 20 miles north to the city of Sedalia, Missouri in Pettis County. A Benton County government official stated that the county has one of the largest welfare roles in the state of Missouri. To some extent, this is due to inexpensive housing costs in the area and the seasonal nature of the tourism industry.

Both community contacts indicated that while housing is affordable, a shortage exists for 1- to 4-family and rental housing. 1990 census data indicates that housing affordability for the assessment area is more favorable than the state average and comparable to other

rural areas. For example, over 81 percent of the total number of owner-occupied homes have housing values under \$60M. In addition, approximately 50 percent of all rental units in the assessment area are priced under \$350 per month. The median age of the housing stock in the area is relatively high averaging 34 years; however, the average age of housing stock in Morgan County is 18 years old. The Benton County government official believes that the average age of housing in the area has declined due to the increase of new construction in recent years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Several factors were considered in evaluating the bank's CRA performance. These factors included a review of the bank's level of lending in relation to its deposits and that of other comparable financial institutions within the assessment area; the penetration of loan originations inside and outside the bank's defined assessment area; the bank's record of lending to borrowers of different income levels and to farms of different sizes and the distribution of loan originations throughout the bank's assessment area. In addition, two community members, a county official and a local business person, were contacted to determine what the credit needs were in the area and to verify that the products offered by the bank met those needs. A review of the bank's performance under the services and investments tests was not performed.

The bank's adjusted loan-to-deposit ratio (calculated using the previous six quarterly Call Reports from December 31, 1994 to March 31, 1996) equaled 71.26 percent. The bank's adjusted loan-to-deposit ratio is significantly above that of its peer group and two comparable banks within its assessment area. The adjusted loan-to-deposit ratio for the peer group was 60.23 percent, while two comparable banks within the area had ratios equaling 55.33 and 55.22 percent. Based upon these comparisons and taking into account lending related activities, loan demand, and seasonal variations, the bank's loan-to-deposit ratio exceeds the standards for satisfactory performance. Due to recent drought conditions in the area and the bank's level of agricultural lending, the bank expects a temporary decline in lending throughout the area.

A substantial majority of the bank's lending occurs within its assessment area based upon a review of the bank's location, assessment area, borrower residencies and a sample of agricultural and real estate loan originations. A review of a sample agricultural and real estate loan originations revealed that 92 and 80 percent of the loans were located within the assessment area respectively. Of all loans sampled, 86 percent were within the assessment area.

Furthermore, the distribution of real estate loans among individuals of different income levels, and farms of different revenue sizes is reasonable given the demographics of the assessment area. The table below illustrates the percentage of borrowers within the differing income levels for the real estate loan sample.

DISTRIBUTION OF REAL ESTATE LOANS REVIEWED BY INCOME LEVEL		
Area Median Family Income		\$24,442
Income Level of Census Tract	Percentage of Consumer Real Estate Loans Reviewed	Percentage of Families in the Bank's Assessment Area
Low (<50% of median)	19	19.4
Moderate (50-80% of median)	9	19.7
Middle (80-120% of median)	27	21.2
Upper (>120% of median)	45	39.7
Total	100	100

Income or revenue levels were unavailable for a majority of the agricultural loan sample. Since loan size generally correlates with the size of an agricultural borrower, loan amounts were used as a proxy for borrower income during this examination. The following table illustrates the distribution of loans made to agricultural borrowers. The ranges were chosen based upon discussions with loan officers, the area economy and the median family income for the area.

DISTRIBUTION OF LOANS	
Agricultural Loans	
Loan Amount	Percent of Total
\$0 - \$1,000	21
\$1,001 - \$5,999	29
\$6,000 - \$19,999	21
\$20,000 and Over	29

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DISTRIBUTION OF LOANS	
Agricultural Loans	
Total	100

A review of the distribution of loans originated by the bank reflects a reasonable dispersion throughout the bank's assessment area, considering the bank's location, borrower residencies, area demographics and competitor institutions. Based upon the two loan samples, loan originations were found throughout three of the six BNAs in the bank's assessment area. No loan originations were located in the two BNAs located in southern Pettis County. In addition, no originations were located in one BNA located in southern Benton County. The bank is located approximately 20 miles from the Pettis County BNAs, where several larger financial institutions within a closer proximity adequately service the area. The BNA located in southern Benton County is comprised of a large amount of timberland making it unsuitable for agricultural production. Bank management was able to provide a sample of real estate and agricultural loans made within the three BNAs unrepresented in the original samples.

No substantive violations of the antidiscrimination laws and regulations were identified. Furthermore, reviews of bank policies, credit applications and loans revealed no prohibited practices designed to discourage applications from protected classes. Moreover, management has provided staff training to prevent violations of the antidiscrimination laws and regulations.