

**PUBLIC DISCLOSURE**

April 8, 1996

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Sheridan State Bank  
555658  
10-56-0496**

**29 N. Gould Street  
Sheridan, Wyoming 82801**

**Federal Reserve Bank 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 Sheridan State Bank prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of April 8, 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 outstanding.*

Sheridan State Bank has been more than sufficiently responsive in meeting the credit needs of the community. The bank's performance is evidenced by a reasonable loan-to-deposit ratio, supplemented by additional lending activities. In addition, a substantial majority of the bank's loans are extended to small businesses and individuals within its assessment area. The bank also has an excellent record of lending to businesses and individuals located in different income geographies throughout the assessment area, as well as to those with different income characteristics. The bank's overall rating is substantiated by its demonstrated willingness to invest in the community and to provide a variety of community development services. No consumer complaints were received during the examination period.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Sheridan 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 have been received since the previous examination.		

### DESCRIPTION OF INSTITUTION

Sheridan State Bank is a small bank located in a nonmetropolitan statistical area in northeastern Wyoming. The bank operates in one location and does not have any branch offices. The bank's December 31, 1995 Report of Condition and Income ("Call Report") reflected total assets of \$47,478,000. Following is a list of the various types of credit offered by the bank:

Commercial Loans including unsecured loans, lines of credit, standby letters of credit, loans for the acquisition of business real estate, inventory, machinery and equipment, Small Business Administration ("SBA") loans, working capital loans, loans for

business development and expansion, and loans under the Wyoming Small Business Assistance Act.

Agricultural Loans including working capital loans, loans for the purchase of agricultural real estate, equipment and machinery, and Farmers Home Administration ("FmHA") loans.

Consumer Loans including personal and unsecured loans, loans secured by savings and certificates of deposit, vehicles, recreational vehicles and mobile homes, home improvement loans, loans to finance education, personal lines of credit, and loans secured by aircraft and boats.

Real Estate Loans including loans to construct residential real estate, residential subdivision development loans, loans to acquire commercial real estate and to construct improvements thereon, loans to acquire residential properties at rates and maturities eligible for purchase by other institutional investors (secondary market loans), loans to acquire residential property at rates and maturities eligible for the Sheridan State Bank adjustable and fixed-rate mortgage programs, and loans guaranteed by the Wyoming Community Development Authority ("WCDA"), the Veterans Administration ("VA"), and the Federal Housing Administration ("FHA").

The December 31, 1995 Call Report revealed the following loan distribution:

LOAN TYPE	AMOUNT IN THOUSANDS	PERCENT OF TOTAL LOANS
Real Estate-Secured	\$11,511	52
Agricultural	286	1
Commercial	7,002	32
Consumer	3,405	15
Other	84	< 1

Totals	\$22,288	100
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### DESCRIPTION OF SHERIDAN COUNTY, WYOMING

The bank's assessment area encompasses the whole geography of Sheridan County, Wyoming, which is comprised of seven block numbering areas ("BNAs"). The assessment area does not arbitrarily exclude any low- and moderate-income areas. According to the 1990 U.S. Census, the population in Sheridan County is 23,562. Representatives of the Sheridan County Chamber of Commerce indicated that growth has been moderate. The 1990 U.S. Census also determined the median family income of Sheridan County to be \$30,163.

The local economy is stable. Agriculture and the extraction industries are the major sources of income in the area. In addition, the local economy benefits from manufacturing, medical and educational services, professional offices, retail and wholesale trade, and tourism. The major employers in the area include Sheridan College, Burlington Northern Railroad, Kiewit Mining and Engineering Company, NERCO Coal Corporation, Wyoming Sawmills and the community's major medical facilities.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Sheridan State Bank's performance under the Community Reinvestment Act is considered outstanding, and the bank is meeting the credit needs of its community in a manner consistent with safe and sound banking practices. Factors evaluated in determining this rating include the bank's average loan-to-deposit ratio and additional lending activities, its record of lending within its assessment area, the dispersion of its loans across different income geographies, and the bank's record of lending to individuals and businesses with varied income characteristics. Further, the bank's qualified investments and community development services contributed to the overall rating.

### Loan-to-Deposit Ratio

The bank's lending levels reflect good responsiveness to the most pressing community credit needs, particularly small business loans and real estate loans. The bank's average loan-to-deposit ratio for the four quarters ending December 31, 1995 was approximately 51 percent. This compares favorably with the bank's national peer group of commercial banks having assets between \$25 million and \$50 million with one banking office and located in a nonmetropolitan area. The peer group loan-to-deposit ratio averaged about 52 percent. Although there are no commercial banks within Sheridan County which are of comparable size, similarly situated banks in nearby Buffalo and Worland reflected a combined average loan-to-deposit ratio of 58 percent.

The bank's lending performance is strengthened by its origination of residential mortgage loans which are sold to the secondary market. In 1995, the bank originated 33 such loans totaling \$2,179,850. In addition, the bank accepted applications for 22 residential mortgage applications totaling \$1,316,349 and forwarded them to the WCDA for processing and funding. The WCDA specializes in loans to first-time home buyers and loans through the FHA, the VA, and the FmHA.

Loans guaranteed by the SBA and the bank's involvement in community development further enhance its lending performance. Since the bank became a state member bank in April 1995, four SBA loans were originated totaling \$84,075. The bank also extended a \$62,000 loan to the Sheridan Inn for roof and kitchen repairs. The Sheridan Inn is an historic building located in a moderate-income area

which is utilized for community events and is an attraction for summer tourists.

Lending Within the Assessment Area

A sample of 114 of the bank's loans were reviewed to determine other performance under the CRA. The sample included 37 small business loans, 40 consumer motor vehicle loans, and 37 residential real estate loans. Approximately 98 percent of the total number and 96 percent of the total dollar volume of the loan sample were made within the bank's assessment area. These substantial percentages are reflective of the bank's willingness to meet the credit needs within its assessment area.

Geographic Distribution of Loans

Given the demographics of the assessment area, the distribution of borrowers reflects excellent dispersion throughout the assessment area. Of the seven block numbering areas located within Sheridan County, only one is a moderate-income area, while five are middle-income and one is upper-income. The following table demonstrates the bank's lending in different income geographies compared to information published by the 1990 U.S. Census:

Income Level	MODERATE	MIDDLE	UPPER
Households per 1990 U.S. Census	14%	72%	14%
Number of Loans in Sample	22%	62%	16%
Dollar Volume of Loans in Sample	18%	61%	21%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank has also performed well in its distribution of credit among borrowers of different income levels, particularly low- and moderate-income borrowers. For example, the percentage of motor vehicle loans extended to low- and moderate-income individuals matched the 40 percent of Sheridan County's combined low-

and moderate-income population. Twenty-two percent of the bank's residential real estate loans extended in 1995 were through the WCDA, which provides loans primarily to the moderate-income buyer. This compares favorably with Sheridan County's 21 percent moderate-income population. Given the nature of real estate lending, the bank's performance in lending to moderate-income individuals is strong.

In addition, the bank's record of lending to small businesses is substantial. Forty-nine percent of the small business loans in the sample were extended to businesses with less than \$100,000 in annual revenue. Ninety-five percent were to those with annual revenues less than \$1,000,000.

#### Qualified Investments and Services

The bank's qualified investments and provision of services also were considered in the examination process. The bank holds six industrial revenue bonds totaling \$79,000, which funded the redevelopment of Gould Street. Gould Street is located in Sheridan County's only moderate-income BNA.

Services extended by the bank include an ATM which was installed in February 1996 in the parking lot of a strip mall comprised of grocery store and other shops. Sheridan State Bank is the only bank in the county which has full-service lobby hours on Saturday. Bank management also provides extended hours by appointment. In addition, the bank offers a wide variety of credit and deposit products. Recently, the bank added home equity lines of credit to its credit product offering.

Further, bank management actively participates in educational programs for first-time home buyers, local high school students, and senior citizens. As requested by realtors in the area, technical assistance is also provided to individuals considering purchasing a home. Finally, the bank works in conjunction with the Sheridan County Health and Social Services in providing jobs to underprivileged individuals. Overall, the bank's qualified investments and services enhance credit availability in its assessment area.

#### Response to Complaints

The bank has received no complaints about its performance in meeting assessment

area credit needs since becoming a member bank.

Other

There were no substantive violations of the antidiscrimination laws and regulations identified during the fair lending component of the compliance examination. Minor violations of Regulation B (Equal Credit Opportunity Act) were noted during the examination and are easily correctable. These findings do not lower the bank's overall CRA rating.

In summary, the bank's overall performance materially exceeds the standards for satisfactory in the majority of the performance criteria to the extent that an outstanding rating is warranted.

