

**PUBLIC DISCLOSURE**

May 20, 1996

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

First State Bank of Wheatland  
10-56-0537  
563756

1405 16th Street  
Wheatland, WY 82201-2222

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 First State Bank of Wheatland, Wheatland, Wyoming prepared by the Federal Reserve Bank of Kansas City, the institution=s supervisory agency, as of May 20, 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.

The bank is actively lending in its assessment area, especially in meeting the particular credit needs of the community. The bank's loan-to-deposit ratio is more than reasonable given the bank=s size, financial condition, and assessment area credit needs. A substantial majority of loans are in the bank=s assessment area; and the distribution of loans reflects excellent dispersion among individuals of different income levels. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT	First State Bank of Wheatland 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	The bank has not received any complaints about its CRA performance.		

**DESCRIPTION OF INSTITUTION**

The bank's financial condition and size allows it to meet the various credit needs of its community. The bank has total assets of \$40,425,000 according to the March 31, 1996 Report of Condition ("Call Report"). The bank has no branch facilities, but opened two automatic teller machines ("ATMs") in the past 13 months. The ATMs are located near Interstate 25 in the communities of Wheatland and Chugwater.

A substantial portion of the bank's customer base is within the area surrounding these communities. The bank's primary business focus is on agricultural lending, which is a major credit need in the assessment area. The bank has also become more active in construction lending to help meet this growing need in the community. The bank's lending activity has increased substantially in the past year. Specifically, agriculture-related and construction lending have increased by 44 percent and 197 percent, respectively during the last year. There has been an overall increase in lending of 32 percent since March 31, 1995. The bank's March 31, 1996 Call Report indicates that agricultural production loans comprised 36 percent, commercial loans 20 percent, and consumer loans 11 percent of the bank's total loan portfolio. Additionally, 3 percent of the loan portfolio consisted of construction loans, 9 percent loans secured by farmland, 10 percent loans secured by 1- to 4-family residential properties, and 11 percent other real estate-secured loans. The bank is also active in originating and selling residential loans. Since the last examination, the bank has sold \$1,704,000 in residential loans to the secondary market.

## **DESCRIPTION OF BANK'S ASSESSMENT AREA**

The bank's assessment area is defined as Platte County, which is located in the southeast portion of the state. According to the 1990 census data, the county's population is 8,145. The bank is located in the town of Wheatland, which is the county seat. Wheatland is centrally located within the county and has a population of 3,271. The assessment area also contains the communities of Chugwater (population 192) located in the southern part of the county; Glendo (population 195) located in the northern part of the county, and Guernsey (population 1,155) located in the eastern part of the county. The assessment area consists of four block numbering areas ("BNAs"). Three are considered middle-income BNAs and one is considered a low-income BNA. The low-income BNA contains only 6 percent of the county's population.

The county's economy is based mainly on agriculture, consisting primarily of cattle, sugar beets, wheat, and hay. The agricultural economy has been experiencing a downturn recently due to poor crop production and declining cattle prices. Major employers in the area are the electric power plant, the school district, and the hospital.

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

### Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable given the bank's size and financial condition and the assessment area's credit needs. The bank focuses primarily on agricultural lending, which is a major credit need within the assessment area. The bank's lending activity has increased substantially over the past year. This is evident in the bank's net loan-to-deposit ratio, which has increased from 62.4 percent as of March 31, 1995, to 73.8 percent as of March 31, 1996. The bank's average net loan-to-deposit ratio based on the last four quarters is 68.4 percent. The bank's loan-to-deposit ratio is higher than other local banks based on December 31, 1995 figures. Four banks in the southeast portion of the state had net loan-to-deposit ratios ranging from 34.6 percent to 60.7 percent for an average of 51.9 percent. The bank's net loan-to-deposit ratio for the same time period was 66.4 percent. The bank's loan-to-deposit ratio is further enhanced when two other factors are considered. First, the bank has held \$6.3 to \$7.8 million in public deposits in the past year. Although the bank is not restricted from lending on these funds, they must be pledged with bank assets. Accordingly, the bank's loan-to-deposit ratio would have been 8 to 12 percentage points higher over the past year when adjusted for public deposits. Secondly, as previously mentioned, the bank has been active in originating and selling residential loans in the secondary market.

#### Lending in Assessment Area

To evaluate the bank's lending activity within its assessment area, a sample of loans was reviewed during the examination. Three types of loan products were sampled which consisted of 51 small farm loans, 39 small business loans, and 58 consumer loans.

Based on this sample, a substantial majority of the bank's lending activity is within its assessment area and, therefore, meets the standards for outstanding under this performance criteria. For small farm loans, the sample indicated that 80 percent of the loans, 90 percent by dollar volume, were within the assessment area. Also, the majority of small farm loans outside the assessment area were dealer retail sales contracts purchased by the bank from a local farm implement dealership. The sample showed that for small business and consumer loans, 92 percent and 90 percent, respectively, were within the bank's assessment area. Overall, 87 percent of the loans reviewed, 91 percent by dollar volume, were within the bank's assessment area.

#### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Given the demographics of the assessment area, the distribution of borrowers reflects excellent penetration among individuals of different income levels

(particularly low- and moderate-income) and businesses and farms of different sizes. According to 1990 U.S. Census data, family income in the bank=s assessment area is classified in the following income categories:

	Low <sup>1</sup>	Moderate <sup>2</sup>	Middle <sup>3</sup>	Upper <sup>4</sup>
Percentage of Families	29%	18%	23%	30%

1 Less than 50 percent of median income.  
 2 At least 50 percent and less than 80 percent of median income  
 3 At least 80 percent and less than 120 percent of median income  
 4 120 percent or more of median income.  
 (Median income is based on Wyoming nonmetropolitan state median income figures)

The bank=s lending to individuals in the low-income category is proportionately higher than the demographic composition of its assessment area. The sample indicated that of the consumer loans within the bank=s assessment area, 44 percent were to low-income individuals. The sample also reflected that 12 percent of consumer loans within the assessment area were to moderate-income individuals. Overall, 56 percent of consumer loans were to low- or moderate-income individuals which is proportionately higher than the demographic figure of 47 percent. The sample also showed that 27 percent of consumer loans within the assessment area were to middle-income individuals and 17 percent were to upper-income individuals.

According to the loan sample, the bank extends all of its agricultural loans to small farms with annual revenues of less than \$1,000,000. The sample revealed that 45 percent of farm loans were to farms with annual revenues less than \$100,000; 31 percent were to farms with annual revenues between \$100,000 and \$250,000; and 22 percent were to farms with annual revenues between \$250,000 to \$500,000.

For commercial loans, the loan sample indicated that 95 percent of business loans originated were to small businesses with annual revenues of less than \$1,000,000. The sample indicated that 28 percent of business loans were to small businesses with annual revenues less than \$100,000; 49 percent were to businesses with annual revenues between \$100,000 and \$250,000; 10 percent were to businesses with annual revenues between \$250,000 and \$500,000; and 8 percent were to businesses with annual revenues between \$500,000 and \$1,000,000.

Geographic Distribution of Loans

The bank=s geographic distribution of loans reflects a reasonable dispersion

throughout the assessment area. As previously stated, the bank's assessment area of Platte County consists of three middle-income BNAs and one low-income BNA. The low-income BNA is located in the northwest section of the county and contains only 6 percent of the county's population. The bank's small farm lending in this low-income BNA is proportionately higher than the demographic composition of its assessment area. The sample of small farm loans within the bank's assessment area indicated that 15 percent were to farms located in the low-income BNA. However, the bank's small business and consumer lending activity in this BNA is proportionately lower than the demographic composition of the assessment area. Only one small business loan, or three percent, of small business loans originated within the bank's assessment area was in the low-income BNA. There were no consumer loans originated within this low-income BNA.

The low-income BNA contains the community of Glendo which consists of 39 percent of the BNA's population. Management attributes the low lending activity in this BNA to several reasons. First, there are few businesses in Glendo which, therefore, limits small business lending opportunities. Secondly, Glendo residents are more likely to bank in the city of Douglas. Douglas is outside the assessment area, but it is a larger community and is in closer proximity than Wheatland. Also, management stated consumer credit needs may be met when farmers utilize their operating lines of credit for consumer purposes.

### Response to Complaints

The bank has not received complaints about its performance in meeting assessment area credit needs. Therefore, no assessment of the bank=s performance in responding to complaints was made.

### Compliance with Antidiscrimination Laws and Regulations

The examination did not identify violations of the antidiscrimination laws and regulations. Violations of Regulation B (Equal Credit Opportunity Act) were noted during the examination, but they were nondiscriminatory in nature and are easily correctable by management. These findings would not lower the bank=s overall CRA rating.

