

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 each 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 Lusk State Bank, Lusk, Wyoming, prepared by the Federal Reserve Bank of Kansas City, Denver Branch, the institution's supervisory agency, as of December 15, 1997. 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's rating was assessed using five core performance criteria for small banks. Conclusions for each performance criteria were based on data compiled from a statistically derived sample of files reviewed for each major product line. An explanation of how each major product line was determined is provided later in this public disclosure.

The analysis showed that a reasonable majority of the bank's loans are originated in the bank's assessment area. Additionally, the distribution of loans in the bank's assessment area reflects excellent dispersion to individuals of different income levels and businesses of different sizes. The geographic distribution of loans reflects a reasonable dispersion throughout the bank's assessment area. Furthermore, the bank's loan-to-deposit ratio is more than reasonable given the bank's location and assessment area credit needs. The response to complaints category is unrated as the bank has not received any complaints about its performance under the CRA.

The bank's performance under the CRA was last evaluated at the June 10, 1996 examination, at which time it was considered Outstanding.

DESCRIPTION OF INSTITUTION

Lusk State Bank is located in Lusk, Wyoming, which is approximately 20 miles from the Wyoming/Nebraska border in eastern central Wyoming. The bank is considered a full-service financial institution and operates out of one location. Since the previous examination, the bank has installed a cash dispensing automated teller machine (ATM) located in a convenience store two blocks from the bank's main office.

The bank reported total assets of \$24 million on its September 30, 1997 Report of Condition and Income (Call Report). The bank offers an assortment of credit products including agriculture loans, commercial loans, consumer loans, real estate-secured loans, and credit card accounts. As noted in the Call Report, agricultural loans are the bank's primary loan product, accounting for 54 percent of the bank's total loan portfolio. The bank's other major loan products include commercial loans (23 percent) and consumer loans (12 percent). The bank's remaining loan portfolio contained a small volume of real estate-secured loans and miscellaneous products.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area consists of Niobrara County, Wyoming. The assessment area, which is the geographic area bank management has designated as its primary service area, consists of two block numbering areas (BNAs). The BNAs are separated by U.S. Highway 85. The highway extends north and south, virtually dividing Niobrara County and the town of Lusk in half. The BNA containing the western portion of the county includes 59 percent of the county's population, 57 percent of the number of families, and is considered a middle-income geography. The BNA containing the eastern portion of the county consists of 41 percent of the county's population, 43 percent of the number of families, and is considered a moderate-income geography.

Based upon 1990 census data, Niobrara County is the least populated county in the state of Wyoming with a total population of 2,499. The U.S. Department of the Census estimates the county's current population to include 2,570 individuals and the town of Lusk to include 1,580 individuals. Surrounding communities are sparsely populated. The bank's assessment area does not arbitrarily exclude any low- or moderate-income areas. Please refer to the attachment for a map of the bank's assessment area.

The following table shows the distribution of the families in the bank's assessment area by income category. Low-income is defined as less than 50 percent, moderate-income is at least 50 percent and less than 80 percent, middle-income is at least 80 percent and less than 120 percent, and upper-income is 120 percent or more of median family income of nonmetropolitan areas in the state of Wyoming. The United States Department of the Census and the Department of Housing and Urban Development estimate the 1997 median family income for the nonmetropolitan areas of Wyoming to be \$41,900.

DISTRIBUTION OF FAMILY INCOME IN THE BANK'S ASSESSMENT AREA BY INCOME LEVEL OF FAMILIES					
	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total

Number of Families	182	156	139	219	696
Percentage of Families	26%	22%	20%	32%	100%

According to community contacts interviewed (both members of local government), the region’s economy is improving due to reasonable interest rates and a slight increase in population. Although the agricultural industry is sluggish due to current market conditions, service industry sales are increasing based on an increase in sales tax revenues. Affordable housing units appear to be available as recent residential sales figures range from \$20,000 to \$100,000. However, limited job opportunities provide few qualified candidates to purchase residential property. Approximately ten new residential units were constructed in Lusk over the last 15 years. Community contacts identified multifamily housing as a community development need.

Major industries in the assessment area include ranching, agricultural production, oil production, retail service trade, and local government. Major employers include the local school system, city and county government, Union Pacific Railroad, Niobrara Memorial Hospital, and Wyoming Women’s Center (a correctional facility for women).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Lending in the Assessment Area

This core performance criterion evaluates the concentration of loans originated by the bank in its assessment area. The analysis was based on data compiled from a statistically derived sample of loans. Discussions with bank management, a review of the bank’s Call Report, and a review of the volume of loan originations were used to determine the bank’s major product lines. As a result, three loan types were sampled, including agriculture loans, business loans, and consumer purpose loans.

As shown in the table on the following page, a majority of the loans originated were located in the bank’s assessment area; therefore, the bank has met the satisfactory standards for this performance criteria. Overall, 80 percent of the number of loans and 64 percent of the dollar volume of the loans were in the bank’s assessment area. Loans made outside of the assessment area are generally the result of customers who have maintained a relationship with the bank after moving outside of the county. The bank does not actively solicit customers outside of its assessment area.

DISTRIBUTION OF LOANS IN AND OUT OF THE ASSESSMENT AREA								
	Inside the Assessment Area				Outside the Assessment Area			
	Number of Loans	%	\$ Amount of Loans	%	Number of Loans	%	\$ Amount of Loans	%
Consumer Loans	44	90	294,431	88	5	10	41,275	12
Agriculture Loans	28	70	544,900	65	12	30	298,451	35
Business Loans	35	80	610,730	56	9	20	474,789	44

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

This core performance criterion evaluates the bank’s loan originations to borrowers of different income levels, particularly low- and moderate-income individuals, and to businesses and farms of different sizes. The distribution of loans sampled showed an excellent penetration to individuals of different income levels and businesses of different sizes. Therefore, the bank has exceeded satisfactory standards for this performance criterion.

Consumer Purpose Loans

The bank’s origination of consumer purpose loans to individuals of varying income levels is considered excellent. The following table shows that 70 percent of the consumer loans sampled in the assessment area were to low- and moderate-income borrowers. These results reflect excellent distribution when compared to the number of low- and moderate-income families in the bank’s assessment area, which is estimated to be 48 percent.

DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF BORROWER								
Loan Type	Low-Income		Moderate-Income		Middle-Income		Upper-Income	
	#	\$	#	\$	#	\$	#	\$
Consumer	19	44,487	11	72,698	7	78,577	6	93,669
Percent of Total	44%	16%	26%	25%	16%	27%	14%	32%
Number of Families by Income Level	182		156		139		219	
Percentage	26%		22%		20%		32%	

Agricultural and Business Loans

The bank’s level of lending to agricultural and business borrowers of different sizes is excellent, especially to entities with limited revenue or income. One hundred percent of the agricultural borrowers had gross operating revenues of less than \$500,000 and are, therefore, considered small farms. Additionally, 100 percent of the businesses had gross revenues of less than \$1 million and are, therefore, considered small businesses.

The following table shows the percentage of loans based on gross revenues or incomes of small farms and small businesses. Of the number of business loans sampled, the credit decision for 7 percent of the loans was based on the income of the business owner instead of the revenue of the business. It should be noted that two of the five loans, based on borrower’s income, were to low-income customers. The table below shows that loans are being made to entities of various sizes with an emphasis on smaller operations. The table reflects individual income as business revenue.

DISTRIBUTION OF SMALL FARM AND SMALL BUSINESS LOANS SAMPLED IN THE ASSESSMENT AREA		
Revenue Category (Based on gross annual revenues or incomes of the business or agricultural operations)	Percentage of Business Loans	Percentage of Agricultural Loans
Less than \$100,000	71	92
Greater than or equal to \$100,000 but less than \$250,000	26	8
Greater than or equal to \$250,000 but less than \$500,000	-	-
Greater than or equal to \$500,000 but less than \$1 million	3	-

TOTAL	100	100
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Geographic Distribution of Loans

This core performance criteria focuses on loan penetration among low-, moderate-, middle-, and upper-income geographies in the bank’s assessment area. Given the assessment area demographics and the bank’s location, the geographic distribution of loans reflects reasonable penetration throughout the assessment area. Therefore, the bank has met the satisfactory standards for this performance criterion.

As previously stated, the assessment area consists of one moderate-income and one middle-income geography. The table on the following page shows the distribution of loans in the moderate-income BNA as follows; 34 percent consumer purpose, 43 percent agricultural loans, and 49 percent business loans. The distribution of loans is considered reasonable when compared to the percentage of families residing in the moderate-income BNA, which is estimated to be 43 percent.

DISTRIBUTION OF LOANS ACROSS THE ASSESSMENT AREA BY INCOME LEVEL OF BNA				
Loan Type	Moderate-Income		Middle-Income	
	#	\$	#	\$
Consumer	15	93,776	29	200,655
Percent of Total	34%	32%	66%	68%
Agricultural	12	246,226	16	298,674
Percent of Total	43%	45%	57%	55%
Business	17	397,157	18	213,573
Percent of Total	49%	65%	51%	35%
Number of Families by BNA	298		398	
Percentage of Families	43%		57%	

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the assessment area credit needs. The loan-to-deposit ratio is a quick barometer for gauging whether a bank is reinvesting deposits back into the community in the form of loans.

The bank's average net loan-to-deposit ratio for the last six quarters is 73 percent. The bank's average ratio compares favorably to the average ratio of similarly-sized financial institutions in the bank's assessment area, which is 52 percent. Additionally, the bank's average ratio compares favorably to the national average for similarly-sized banks during the same time period, which is 62 percent.

Response to Complaints

The final core performance criteria, which evaluates the bank's performance in responding to substantiated complaints about its performance in meeting assessment area credit needs is not rated. The bank has not received any 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 any substantive violations of the antidiscrimination laws and regulations.

