



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

October 31, 2011

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Morgan Federal Bank  
Charter Number: 703451

321 Ensign Street  
Fort Morgan, CO 80701

Office of the Comptroller of the Currency

Denver Field Office  
1225 17<sup>th</sup> Street, Suite 450  
Denver, CO 80202-5534

**NOTE:** This document is an evaluation of this 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. 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.

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

The major factors that support this rating include:

- The bank's loan-to-deposit ratio exceeds the standard for satisfactory performance. The bank's quarterly average loan-to-deposit ratio is 83 percent since the prior CRA examination in May 2006.
- A majority of the bank's 1-4 family residential secured loans, 88 percent by number and 72 percent by dollar volume, were originated to borrowers within the bank's designated assessment area (AA).
- Lending to borrowers of different incomes is reasonable and meets the standards for a satisfactory performance.
- The geographic distribution of loans is not meaningful as all the census tracts within the Morgan County AA are middle-income tracts.

**SCOPE OF EXAMINATION**

The scope of this examination includes a full scope review of the bank's Morgan County assessment area (AA). The bank's primary loan product by dollar volume is 1-4 family residential secured loans. Our rating of the bank's CRA performance is based on an analysis of this product between June 30, 2006 and October 31, 2011.

**DESCRIPTION OF INSTITUTION**

Morgan Federal Bank is a \$105 million institution located in northeastern Colorado. Morgan Financial Corporation, a one-bank holding company headquartered in Fort Morgan, Colorado, wholly owns Morgan Federal. Morgan Federal accounts for substantially all the assets of Morgan Financial Corporation.

Morgan Federal offers a variety of credit products. The primary loan product by dollar volume is 1-4 family residential secured loans at 55 percent of total loans originated between June 2006 and October 2011. Other loan products by dollar volume include: Commercial – 18 percent; HELOCs – 5.6 percent; and Automobiles – 1.8 percent.

Morgan Federal operates one main branch location and two cash dispensing automated teller machines (ATM). Both ATMs are located on the branch property. The branch location is a full-service facility surrounded by middle-income census tracts.

There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA.

Morgan Federal received a "Satisfactory" CRA rating at the last examination dated May 30, 2006.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

Morgan Federal Bank designates Morgan County as its assessment area (AA). This designated AA complies with applicable regulatory requirements and does not arbitrarily exclude any low- or moderate-income (LMI) areas. Morgan County, located in northeastern Colorado, encompasses the cities of Fort Morgan, Weldona, Brush, Wiggins, Log Lane Village, Orchard, Snyder, and Hillrose.

Based on 2000 census data, this AA is comprised of eight census tracts, of which 100 percent are designated as middle income. The Department of Housing and Urban Development (HUD) 2011 updated median-family income for this AA is \$60,200.

Morgan County, Colorado is primarily driven by agriculture and related industries. Related industries include a Cargill meatpacking plant, a Leprino Foods cheese factory, a large Dairy Farmers of America milk-processing facility, and one of the largest processors of sunflower seeds in the world. Major employers in the area include the businesses listed above, Morgan Community College, Wal-Mart, and LifePoint Hospitals. Morgan County's unemployment rate is 5.9 percent as of August 2011.

There are several competing banks within the Morgan County AA. These include Fort Morgan State Bank; Farmers State Bank – Brush; Key Bank; Bank of the West; Bank of Colorado; High Plains Bank; Equitable Savings & Loan Association; Academy Bank; and Wells Fargo Bank. The bank's market share of deposits for FDIC-insured institutions within the AA is approximately 16 percent.

We performed one community contact in the AA. The community contact stated that the economy in Fort Morgan, Colorado is good. Identified credit needs are primarily small business and agricultural operating, and the contact indicates that area financial institutions are responsive to local credit needs.

Please refer to Morgan Federal's CRA Public File for more information regarding the assessment area, description of the institution, and any public comments.

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

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

The bank's loan-to-deposit ratio is more than reasonable given area competition and credit needs of the community.

The bank's quarterly average loan-to-deposit ratio since the previous CRA examination is 83 percent. The average loan-to-deposit ratio of similarly situated banks within or contingent to the assessment area for the same period was 76 percent and ranged from 65 percent to 94 percent. Similarly situated banks are those banks of comparable asset size and operating within the same geography. This bank ranks second among six banks for its quarterly average ratio.

**Lending in Assessment Area**

Lending in the AA exceeds the standard for satisfactory performance as the substantial majority of loans are originated inside the AA. In order to assess performance for this area, we sampled 25 loans secured by residential properties. Of the 25 loans reviewed, 88 percent by number and 72 percent by dollar volume were originated within the AA.

<b>Table 1 - Lending in the Morgan County AA</b>										
<u>Loan Type</u>	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
1-4 Family Residential Secured	22	88%	3	12%	25	\$2,749,538	72%	\$1,087,000	28%	\$3,836,538

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

Lending to borrowers of different incomes is reasonable and meets the standards for a satisfactory performance.

The bank’s pattern of lending to low- and moderate-income borrowers reasonably reflects area demographics. Within the AA demographics, low- and moderate-income families comprise 20.81 percent and 25.52 percent of total families, respectively. Of the 25 1-4 family residential secured loans originated in the Morgan County AA, 4.55 percent of loans were originated to low-income families and 22.73 percent of loans were originated to moderate-income families.

Although mortgage lending to low-income families falls well below the demographic comparator, lending to moderate-income families is considered reasonable. The low volume of lending to low-income families is mitigated by affordability of housing and income levels. The median housing value in Morgan County, at \$137,946, makes it difficult for low-income individuals (with annual incomes of \$30,100 or less) to qualify for a home purchase. In addition, the level of households below the poverty line is high at 11.53 percent of total households in Morgan County according to 2000 U.S. Census data.

<b>Table 2B – Borrower Distribution of Residential Real Estate Loans in the Morgan County AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
1-4 Family Res Loans	20.81%	4.55%	25.52%	22.73%	23.60%	40.91%	30.07%	31.82%

Source: Loan sample; U.S. Census data.

**Geographic Distribution of Loans**

The geographic distribution of loans in the Morgan County AA is not meaningful as there are no low- or moderate-income tracts within the AA.

The Morgan County AA consists only of middle-income census tracts.

**Responses to Complaints**

The bank has not received any CRA-related complaints since the previous examination.

**Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.