



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 14, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

State National Bank of Garfield
Charter Number 12231

Third and California, P.O. Box 68
Garfield, Washington 99130

Comptroller of the Currency
50 Fremont Street, Suite 3900
San Francisco, California 94105

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 State National Bank of Garfield prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of August 14, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

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

The State National Bank of Garfield (The Bank) primarily lends in their assessment area. Their loan to deposit ratio is reasonable, and the distribution of loans to all income levels is excellent.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	State National Bank of Garfield 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	A geographic analysis is not meaningful.		
Response to Complaints	No complaints have been received in the bank to date.		

DESCRIPTION OF INSTITUTION:

The Bank provides general banking services to the residents and businesses in Whitman County, Washington. Because of the sparse population in its assessment area, the Bank also lends in communities outside of Whitman County. The Bank was established in October 1922 and maintains one office in Garfield, Washington. As of June 30, 1996, the Bank had total assets of \$10.7 million.

The Bank’s primary lending focus is on agricultural loans. As of June 30, 1996, the loan portfolio consisted of: 46% agricultural and farmland loans; 24% commercial and industrial loans; 13% loans to individuals; 10% 1-4 family residential loans; and 7% real estate.

This is the Bank's first assessment under the Community Reinvestment Act. They are currently under supervisory restrictions which may impact their ability to meet community credit needs. There are no other financial impediments to their lending ability.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA:

The Bank's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The AA was modified to include the area outlined by the non-MSA county of Whitman, Washington.

1990 Census data lists the total population for Whitman County at 38,775. The median housing value for the county was \$61,550, and median monthly gross rents were \$344. The area has low unemployment, with 1990 data revealing only 2% unemployment. The 1990 U.S. Census non-MSA median family income was \$32,970, and income distribution is as follows:

Income Level	Tract Count	% of Tracts	Population Count
Low	0	0 %	0
Moderate	2	20 %	7,655
Middle	4	40 %	12,941
Upper	4	40 %	18,179
Total	10	100 %	38,775

The Bank operates in an economy heavily dominated by agriculture, with crop production and operating loans being the primary credit need of the community. The primary crop is wheat, along with barley, peas, and lentils. The economy has a relatively stable history and has not been subject to substantial crop disasters in the recent past.

Competition is provided by other locally owned institutions in the surrounding cities. Some agricultural loan competition is provided by regional banks in Spokane, Washington.

One community contact was made at the prior exam of a bank in Whitman County. This contact focused on the credit needs of Colfax, Washington, the Whitman County seat. The contact stated that local banks offered appropriate services for the needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

LOAN TO DEPOSIT RATIO

- The Bank's loan to deposit ratio is reasonable given its size, financial condition, and assessment area credit needs.

The average net loan to deposit ratio over the last eight quarters from June 1994 to March 1996 is 64%. Considering the limited population and loan demand in the area, this ratio is reasonable. Four similarly sized institutions located in Whitman County had loan-to-deposit ratios range from 26% to 108%, with the average loan-to-deposit ratio of the four institutions over the eight quarter period equaling 66%.

LENDING IN THE ASSESSMENT AREA

- The Bank makes a majority of loans within its assessment area.

As of June 30, 1996, the Bank had 320 loans booked totaling \$7.8 million. A sample of 50 loans found that 70% by number of loans and 65% by dollar amount were made in the assessment area. The Bank's internal analysis supports this finding.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

- The Bank's penetration among individuals of different income levels and businesses of different sizes is excellent. The distribution of loans approximates the income characteristics of the assessment area.

The average loan size for the Bank is small due to general legal lending limit guidelines. As of March 31, 1996, the maximum unsecured loan the bank could make was \$190,000. Based on this low loan amount, further analysis of loans made to business and farms of different sizes is not meaningful. A breakdown of the average loan size for the bank's major products is as follows:

Product	Average Loan Size
Real Estate	\$ 43,000
Agriculture	\$ 40,000
Commercial	\$ 28,000
Consumer	\$ 8,000

The following table indicates that the Bank’s consumer and residential real estate loans were widely dispersed among borrowers with different income levels, including low- and moderate-income borrowers. The sample consisted of 32 consumer and residential real estate loans.

Consumer and Residential Real Estate Loans Reviewed

Borrower Income	% of Families by Income	# of Loans Reviewed	% of Loans Reviewed
Low	0 %	5	16 %
Moderate	9 %	7	22 %
Middle	49 %	10	31 %
Upper	42 %	4	13 %
No Info	----	6	19 %
Total	100 %	32	100 %

GEOGRAPHIC DISTRIBUTION OF LOANS

- A geographic analysis of the Bank’s lending patterns is not meaningful. The bank’s assessment area is mostly rural, and contains only 10 census tracts. Only two census tracts are considered moderate income. Both are located in the college student populated area of Pullman, Washington. The remaining tracts are middle or upper income.

RESPONSE TO COMPLAINTS

- The Bank has not received any complaints regarding their CRA performance to date.

OTHER ITEMS

- The Bank is in compliance with the substantive provisions of anti-discrimination laws and regulations. There was no evidence, based on our sample of approved and declined applications, to indicate a pattern or practice of prohibited discrimination against any protected classes.