



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Platte Valley National Bank - Morrill, Minatare, Lyman
Charter Number 12625**

**128 Center Avenue
Morrill, Nebraska 69358**

**Office of the Comptroller of the Currency
Western District Office
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 **Platte Valley National Bank - Morrill, Minatare, Lyman**, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **November 12, 1997**. 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 “**Outstanding.**”

- The bank actively provides funds to community development projects.
- 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 the bank's loans are within its assessment area.
- The bank has a good record of lending to individuals of different incomes and to businesses of all sizes.
- The geographic distribution of credit reflects a good dispersion of lending activities throughout the bank's assessment area.

DESCRIPTION OF INSTITUTION:

Platte Valley National Bank - Morrill, Minatare, Lyman (PVNB-Morrill) is a \$46 million community bank, wholly owned by First Morrill Company, a one-bank holding company. First Morrill Company, is owned by Platte Valley Financial Service Companies, Inc. (PVFSC), a multi-bank holding company, which also owns Platte Valley National Bank - Scottsbluff (PVNB-Scottsbluff) and other non-bank affiliates. The bank is located in the Nebraska panhandle near the Wyoming border. The bank's head office is in Morrill with two branch offices in the nearby communities of Minatare and Lyman. The Lyman branch is not a full-service branch. New accounts and loan applications are handled at the Morrill office for the Lyman branch. The bank does not have any automated teller machines (ATMs). Drive-up teller facilities are provided at each branch. The bank offers a full range of loan and deposit products designed to meet both individual and business needs. Lending activities focus on agricultural, consumer mortgage, and commercial loans. The bank also purchases loans from its mortgage lending affiliate in Scottsbluff.

The bank's overall condition is stable. No legal impediments exist which affect the bank's ability to meet the credit needs of its assessment area. As of September 30, 1997, the bank's \$36 million loan portfolio is distributed as follows: 36% secured by residential real estate, 29% for agricultural production, 15% to consumers, 10% secured by farmland, and 10% commercial.

The last CRA examination was December 7, 1994, at which time the bank was rated "Outstanding."

DESCRIPTION OF ASSESSMENT AREA:

The bank's assessment area meets the requirements of the CRA and does not arbitrarily exclude low- or moderate-income geographies. The bank's assessment area encompasses approximately a 50-mile radius which includes several counties, villages, and towns in western Nebraska and eastern Wyoming. Some of the Nebraska towns included in the bank's assessment area are Scottsbluff, Morrill, Mitchell, Minatare, and Lyman. Torrington is the largest town in Wyoming serviced by the bank. U.S. Census data from 1990 shows 20 block numbering areas (BNAs) in the bank's assessment area.

PVNB-Morrill is the only community bank in Morrill, Minatare, and Lyman. The bank's new affiliates, PVNB-Scottsbluff, Platte Valley Ag Credit Corporation, and Platte Valley National Mortgage Company now provide financial services previously provided by the bank in Scottsbluff and surrounding areas. Other large regional banks provide significant competition, particularly in Scottsbluff and Torrington, Wyoming.

The assessment area is predominately agricultural, which is susceptible to adverse weather conditions. This, in addition to an aging population and out-migration, contributed to declining local economic conditions during the last five years. However, the Nebraska panhandle is now becoming a leader in the cattle feeding industry. This expansion into cattle feeding operations has created new jobs and

strengthened corn and alfalfa production. The communities of Morrill, Minatare, and Lyman rely on local sugar beet and bean processing plants, service companies, and retail businesses as primary employers.

The 1990 census data indicates that no areas in the bank’s assessment area are designated as low income and only one is upper income. Moderate income areas comprise 35% of the assessment area and middle income areas represent 60% of the assessment area. Low- and moderate-income families represent 44% of the area’s total 15,748 families. The 1990 census reports median-family income at \$28,965, and median housing value is \$41,029. According to the Department of Housing and Urban Development (HUD), the 1996 median-family income for the assessment area is \$38,540.

Using 1990 census data, the following table identifies the distribution, by income levels, of BNAs and families in the bank’s assessment area:

INCOME CHARACTERISTICS OF ASSESSMENT AREA BNAs AND FAMILIES				
Income Level	Number of BNAs by Income	Percentage of Assessment Area	Number of Families by Income	Percentage of Assessment Area
Low	0	0%	3,543	23%
Moderate	7	35%	3,337	21%
Middle	12	60%	3,649	23%
Upper	1	5%	5,219	33%
Total	20	100%	15,748	100%

The bank is actively involved in the Community Advisory Council, which includes representatives from each of the area’s community development agencies. These agencies include the Nebraska Affordable Housing Trust Fund, Scottsbluff Housing Authority, and the Community Development Coalition. Minutes from the quarterly council meetings indicate a strong need for affordable housing rehabilitation and construction. The president of the Community Development Coalition indicated a need to develop a lenders’ consortium to build more affordable housing for low- and moderate-income families.

During our examination, we contacted the Lyman Village clerk to determine the needs of the community. This contact confirmed the need for affordable housing and continued economic growth for the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable. As of June 30, 1997, the bank's average loan-to-deposit ratio calculated over the past eight quarters is 81%. This ratio compares favorably to the average loan-to-deposit ratio of 75% for nine similarly situated banks in Nebraska. Average loan-to-deposit ratios ranged from 62% to 83%. Only one local bank, located in Mitchell, was comparable to PVNB-Morrill. This bank had an average loan-to-deposit ratio of 59% for the same time period.

Lending in the Assessment Area

The bank makes a substantial majority of its loans within the assessment area. Bank management's analysis of lending patterns as of June 30, 1997, shows that 1,911 or 91% of total loans and \$34 million or 94% of the dollar amount of loans are within the bank's assessment area. Our loan sample also revealed a large concentration of lending within the assessment area.

Loans to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of the bank's loans to businesses of different sizes and to borrowers of different income levels is good. The bank makes loans to small businesses and farms and to individuals of varying income levels. All businesses borrowing from the bank have annual revenues of less than \$1 million. Within the bank's assessment area, approximately 77% of non-farm businesses and 90% of farm operations report annual revenues of less than \$1 million. Management's analysis of the bank's loans to small businesses and farms shows that all farm operating loans are of small dollar amounts, with 66% of the lines of credit less than \$100,000. Our sample review verified management's analysis. Agricultural production loans represent 29% of total loans outstanding as of September 30, 1997.

The following table summarizes the bank's agricultural operating lines by the borrower's annual revenue:

DISTRIBUTION OF LOANS TO FARMS OF DIFFERENT INCOME LEVELS		
Annual Revenues	Number of Loans	Percentage of Loans
Less than \$20,000	10	9.5%
Between \$20,000 and \$250,000	50	47.6%
Between \$250,000 and \$500,000	40	38.1%
Greater than \$500,000 and less than \$1 million	5	4.8%
Total Agricultural Operating Line Portfolio	105	100%

To analyze loans to individuals, we sampled 19 mortgage loans and 12 consumer loans made during 1997. The sample of mortgage loans included all mortgage loans made in 1997 with current income information. Our review showed the distribution of mortgage loans to borrowers of all income categories is good. Mortgage loans to low- and moderate-income families represent 53% of mortgage loans. This percentage of lending compares favorably to the demographics of the area which shows 44% of the families in the assessment area are low- and moderate-income. This analysis is shown in the following table:

DISTRIBUTION OF MORTGAGE LOANS BY INCOME LEVELS			
Income Category of Borrower	Number of Mortgage Loans	Percentage of Sample	Percentage of Families in Each Income Category in Assessment Area
Low	3	16%	23%
Moderate	7	37%	21%
Middle	4	21%	23%
Upper	5	26%	33%
Total Sample	19	100%	100%

Our review, based on a small sample of consumer loans made in 1997, shows the distribution of consumer loans to borrowers of different income levels is also good, particularly to low- and moderate income individuals. Consumer loans to low- and moderate-income families represent 100% of consumer loans sampled, which compares very favorably with the demographics of the assessment area. Our analysis is shown in the following table:

DISTRIBUTION OF CONSUMER LOANS BY INCOME LEVELS			
Income Category of Borrower	Number of Consumer Loans	Percentage of Sample	Percentage of Families in Each Income Category in Assessment Area
Low	9	75%	23%
Moderate	3	25%	21%
Middle	0	0%	23%
Upper	0	0%	33%
Total Sample	12	100%	100%

Bank management is flexible in their lending criteria by having no minimum dollar limit for consumer or mortgage loans. The bank has originated mortgage loans as small as \$4,000. Small dollar loans are needed due to the limited economic base of the area. Management monitors the origination of small mortgage loans (those less than \$25,000) and small consumer loans (those less than \$1,000). In 1996, the bank originated 32 small mortgage loans totaling \$379,888 and in 1997 originated 47 loans totaling \$759,563. Of all consumer loans made during 1997, 21% were in amounts less than \$1,000.

Geographic Distribution of Loans

The bank's geographic distribution of credit within its assessment area is good. Loans are well distributed throughout the bank's assessment area. The following table shows the geographic distribution of loans made in 1997:

DISTRIBUTION OF LOANS ACROSS BNAs					
BNA Income Category	Percentage of Assessment Area	Number of Loans	Percentage of Total (#)	Loans \$(000's)	Percentage of Total (\$)
Low	0%	0	0%	\$ 0	0%
Moderate	35%	339	29%	\$ 3,034	26%
Middle	60%	627	54%	\$ 5,607	49%
Upper	5%	201	17%	\$ 2,865	25%
Total	100%	1167	100%	\$11,506	100%

The distribution analysis includes approximately 125 mortgage loans, totaling \$5 million, that were purchased from the bank's mortgage banking affiliate. These loans are to consumers living predominately in the Scottsbluff area. Scottsbluff includes six of the bank's 20 BNAs, five of which are middle-income areas. The only upper-income BNA is also in Scottsbluff.

Community Development Lending

The bank takes an active role in community development lending projects. During 1996 and 1997, the bank invested \$905,000, representing 2.53% of the bank's outstanding loans as of September 30, 1997, in loans for community development. These loans include the following:

- A \$600,000 participation in a \$1.5 million loan to the Community Development Coalition (CDC). The loan financed the construction of 18 single-family residences for low- and moderate-income families. The development project in Scottsbluff is known as "East Portal." This construction project qualified under the HOME program of HUD because its purpose is to provide housing to low- and moderate-income families.
- An aggregate of \$175,000 in construction loans to finance houses built by the local high school industrial arts class. These houses are of reasonable values and are expected to be sold to low- and moderate-income families.

- A \$130,000 construction and permanent loan to build a four-plex rental housing unit for moderate income senior citizens in Morrill.

The bank, in conjunction with PVNB-Scottsbluff, has obtained \$12,500 in grants from the Federal Home Loan Bank to provide funding assistance to qualified first-time, low-income home buyers. These funds are available, up to \$2,500 per customer, for down payments and closing costs.

The bank also assists distressed farmers in obtaining credit by submitting loan applications for government guarantee programs. Currently, the bank has 15 loans, totaling approximately \$3.5 million, guaranteed by Farm Services Administration (FSA). These farmers would not qualify for credit without the FSA guarantees.

Community Development Services

Members of the bank's staff use their financial expertise to help provide service to enhance the community. Three bank employees are current or recent directorate for a non-profit economic development organization, MLH, which was started to enhance the communities of Morrill, Lyman, and Henry. The organization purchased the medical clinic to ensure ongoing availability of medical services in the area. The organization also helped with a local study to determine the housing needs of senior citizens. As a result of this study, the bank helped finance the rental unit for senior citizens in Morrill as previously described.

Compliance with Anti-discrimination Laws

We found no evidence of discrimination or discriminatory practices during our fair lending examination. The bank complies with the provisions of anti-discrimination laws and regulations.

Response to Consumer Complaints

The bank has received no complaints regarding CRA issues or activities.