



## **PUBLIC DISCLOSURE**

April 15, 1998

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

**The Farmers and Merchants National Bank of Hatton  
Charter Number 7905**

**415 7th Street  
Hatton, ND**

**Office of the Comptroller of the Currency  
Fargo Field Office  
3211 Fiechtner Drive SW  
Fargo, ND**

**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 **The Farmers and Merchants National Bank of Hatton (FMNB)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of April 15, 1998. 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**.

FMNB's loan-to-deposit ratio is reasonable given the bank's size, financial condition and assessment area credit needs. FMNB extends a substantial majority of loans within its assessment area. The distribution of borrowers reflects a good penetration among businesses and agricultural customers of different sizes and individuals of different income levels.

The following table indicates the performance level of **The Farmers and Merchants National Bank of Hatton** with respect to each of the five performance criteria.

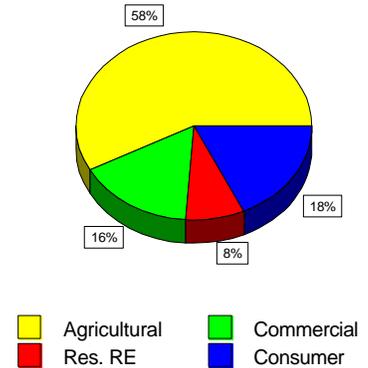
| SMALL INSTITUTION ASSESSMENT CRITERIA  | FARMERS AND MERCHANTS NATIONAL BANK PERFORMANCE LEVELS   |  |  |
|--|--|--|--|
|  | Exceeds Standards for Satisfactory Performance           | Meets Standards for Satisfactory Performance | Does not meet Standards for Satisfactory Performance |
| Loan to Deposit Ratio  |  | X  |  |
| Lending in Assessment Area   | X  |  |  |
| Lending to Borrowers of Different Incomes and to businesses of Different sizes |  | X  |  |
| Geographic Distribution of Loans   | Analysis not meaningful.                                 |  |  |
| Response to Complaints   | No complaints were received since the prior examination. |  |  |

**DESCRIPTION OF INSTITUTION**

FMNB is a \$16 million financial institution located in Hatton, ND. FMNB is a stand alone bank owned by numerous individuals. The bank does not have any branches nor an automatic teller machine.

FMNB offers a wide variety of loan products including agricultural, small business, consumer, and residential real estate loans. Refer to the graph at right for the bank’s loan portfolio composition as of 12/31/97.

Loan Portfolio Composition  
As of December 31, 1997



There are no legal impediments or other factors, including the financial condition of FMNB, which hinder FMNB’s ability to fulfill its CRA obligation. The bank has neither opened nor closed any branches since the last CRA examination. At the last CRA examination dated June 27, 1995, the bank received a satisfactory rating.

**DESCRIPTION OF ASSESSMENT AREA: Block Numbering Areas (BNAs) 9687, 9701, and 9702. Census Tract 118.**

FMNB’s assessment area includes portions of Steele, Grand Forks and Traill counties with the BNAs and the Census tract numbers listed above. The three BNAs and the Census tract in the bank’s assessment area are all middle income.

Census information on the assessment area identifies a population of approximately 10,000. The weighted average of the Metropolitan Statistical Areas (MSA)/Non-MSA’s updated Median Family Income is \$35,200. The assessment area’s population by income level is broken-down in the following table:

| Population           | Low-income Families |     | Moderate-income Families |     | Middle-income Families |     | Upper-income Families |     | Total |      |
|----------------------|---------------------|-----|--------------------------|-----|------------------------|-----|-----------------------|-----|-------|------|
|                      | #                   | %   | #                        | %   | #                      | %   | #                     | %   | #     | %    |
| Middle-Income Tracts | 381                 | 15% | 526                      | 20% | 634                    | 24% | 1080                  | 41% | 2621  | 100% |

The primary housing facilities are owner occupied 1-4 family units with a median value of \$36,314. Agriculture and agricultural-dependent businesses support the assessment area’s economy. FMNB’s assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Our community contact was a local economic development organization. The contact stated that agricultural needs remain the most important credit need of the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Loan-to-Deposit Analysis

FMNB’s loan-to-deposit ratio (L/D) is reasonable. We calculated the L/D for each quarter-end from March 31, 1995 to December 31, 1997. The L/D averaged 62% with a range from 51% to 76%. There are four similarly situated banks in FMNB’s assessment area. Their average L/D ranged from 54% to 79%.

Credit Extended Inside and Outside of the Assessment Area

A substantial majority of FMNB’s loans are within its defined assessment area. Our analysis is based on a sample of 25 commercial and agricultural loan originations. Approximately 96% of the number and 99% of the dollar amount of loans in our sample are in the bank’s assessment area.

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

The distribution of borrowers reflects a good penetration among businesses and farms of different sizes and individuals of different income levels. We based our analysis on a sample of 25 commercial and agricultural originations and 18 residential real estate originations. Our sample results show that 84% of the commercial and agricultural loans had gross income levels of less than \$500,000:

|            | Gross income for Agricultural and Commercial Businesses |                        |                        |                          |               | Total |
|------------|---|------------------------|------------------------|--------------------------|---------------|-------|
|            | < \$100,000   | \$100,000 to \$250,000 | \$250,000 to \$500,000 | \$500,000 to \$1,000,000 | > \$1,000,000 |       |
| # of Loans | 7   | 8                      | 6                      | 3                        | 1             | 25    |
| % of Loans | 28%   | 32%                    | 24%                    | 12%                      | 4%            | 100%  |

Our residential real estate sample indicated good penetration into all income levels:

| Population includes 18 residential real estate(RE) loans | Low-income Families |     | Moderate-income Families |     | Middle-income Families |     | Upper-income Families |     | Total |      |
|--|---------------------|-----|--------------------------|-----|------------------------|-----|-----------------------|-----|-------|------|
|  | #                   | %   | #                        | %   | #                      | %   | #                     | %   | #     | %    |
| 1-4 Family RE  | 4                   | 22% | 4                        | 22% | 3                      | 17% | 7                     | 39% | 18    | 100% |
| Demographic Data   | 15%                 |     | 20%                      |     | 24%                    |     | 41%                   |     | 100%  |      |

Geographic Distribution of Loans

The three BNAs and the Census tract in the bank’s assessment area are all considered middle income. Analysis of this assessment criteria would not be meaningful.

Response to Complaints

The bank received no CRA-related complaints since the previous CRA examination.

Compliance with antidiscrimination laws and regulations

Our review did not identify any violations of the substantive provisions of the antidiscrimination laws and regulations.