



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 12, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Morgan
Charter Number 6958**

**120 North State Street
Morgan, Utah 84050**

**Office of the Comptroller of the Currency
Western District
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 **The First National Bank of Morgan (FNBM)** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 12, 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 “***Outstanding.***”

FNBM's performance under the Community Reinvestment Act is outstanding. The bank maintains a consistently high loan-to-deposit ratio and originates a substantial majority of its loans within its assessment area (Morgan County, Utah). Lending activity exhibits excellent distribution among individuals of different income levels and businesses/farms of different sizes.

The following table indicates the performance level of *The First National Bank of Morgan* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Morgan 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	Not Meaningful		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

FNBM operates with one office located in Morgan, Utah. As of November 30, 1997, the bank had \$33.4 million in assets, \$22.1 million in loans and \$27.7 million in deposits. It has no material constraints in its ability to meet various credit needs within its assessment area. The bank’s lending activities meet a variety of credit needs and show a good distribution between different loan types. The loan portfolio (by dollars) is distributed as follows: residential real estate loans 38%; commercial loans 24%; agriculture loans 9%; consumer loans 20%; home equity lines 9% and other loans 1%. The bank has limited direct competition in its assessment area, although residents have other banking options (see competition discussion below).

DESCRIPTION OF ASSESSMENT AREA - MORGAN COUNTY, UTAH:

Morgan County, located in northern Utah, has an estimated population of 6,500. About 2,800 people live in the City of Morgan, Morgan County's largest town. The county has two block numbering areas (BNA's) for census purposes. One BNA is middle income and one is upper income. The HUD estimated 1997 non-MSA median family income for Utah is \$38,500.

The county has historically been an agriculture area, with a combination of hay, grain, beef cattle, dairy and fur (mink pelt) production. Other significant employers in the area include Holnam, Inc., a cement production facility and the corporate headquarters for Browning Arms, a firearm and outdoor recreation supply manufacturer. Many Morgan County residents commute 10-20 miles to work in urban Ogden and Davis County, Utah. During the 1990s, Morgan has evolved into a bedroom community to these more populated areas. During this time, the area's population has increased 17% and real estate values have escalated significantly. According to the 1990 census, the median home value in Morgan County was \$81,200. It is estimated that the average home value is now in the \$140,000 to \$160,000 range. Currently, the economy remains good, but is not growing as rapidly as in the early to mid 90s.

FNBM is the only bank headquartered in Morgan County. In addition, there are no other banking facilities or branches in the County. However, residents have numerous financial services options available in nearby Ogden and Davis County, and to some extent Summit County. In particular, credit unions are one of the strongest competitors in the area.

We contacted three community/business leaders in the area to discuss economic conditions and credit needs. These individuals confirmed that the economy is good but growth is slowing. Demand for residential real estate is solid, but supply is limited and zoning laws are strict. There is a demand for affordable housing, but availability of such housing is not deemed to be a crisis by the community. There is also demand for a more diversified business base. Perceptions regarding FNBM's efforts to meet local credit needs were very positive.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

FNBM's loan-to-deposit ratio (LTD) is considered more than reasonable when considering economic conditions and loan demand. The bank's LTD ratio has averaged a strong 73% over the past eight quarters. As of November 30, 1997 the ratio was high at 78%. In addition, the bank participates in a secondary market mortgage program where it refers long term mortgage applicants to a third party. Since becoming involved in this program in 1995, the bank has assisted about 10 customers per year in obtaining long term mortgage loans.

Meaningful comparison with similar lending institutions is not possible as none are located in the bank's assessment area. High LTD ratios are common at other Utah banks, reflecting strong

economic conditions and loan demand during the 1990s. Credit unions also provide aggressive competition in Utah.

Lending Within the Assessment Area

A substantial majority of the bank’s loans are within its assessment area. About 78% of the bank’s loans (by number) and 82% (by dollar) are located within Morgan County. Many other loans are made in the community of Henefer, located near the Morgan County line. Henefer, while not technically in the bank’s assessment area, is within its effective market area. Loans within the bank’s assessment area, and Henefer, represent 86% (by number) and 89% (by dollar).

Lending to Borrowers of Different Incomes and Business of Different Sizes

FNBM’s lending activity exhibits excellent distribution among individuals of different incomes and businesses/farms of different sizes.

Lending to consumers for purposes other than housing exhibits excellent distribution among borrowers of different income levels, especially when considering area income demographics. Based on a sample of 30 consumer loans originated during the past 12 months, we found the following distribution (by number of loans) at each income level:

Income Level	% of Sample Consumer Loans	% of Families in the Assessment Area
Low	23%	9%
Moderate	33%	16%
Middle	40%	25%
Upper	4%	50%

Lending to consumers for housing purposes reflects reasonable distribution among borrowers of different income levels, when considering area income demographics. Based on a sample of 30 consumer real estate loans originated during the past 12 months, we found the following distribution (by number of loans) at each income level:

Income Level	% of Sample Consumer Real Estate Loans	% of Families in the Assessment Area
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Low	7%	9%
Moderate	17%	16%
Middle	33%	25%
Upper	43%	50%

The bank's lending activity reflects excellent distribution among businesses and farms of varying sizes. Based on a sample of 20 business and agriculture borrowers with loans originated in the past 12 months, we found 90% were too small (under \$1 million in gross annual revenues) business and agriculture operations. The following table summarizes the sample distribution, based on gross annual revenues :

Gross Annual Revenues	% of Business and Farm Loans Sampled
Less than \$100,000	25%
\$100,000 to \$499,999	50%
\$500,000 to \$999,999	15%
\$1,000,000 and over	10%

Geographic Distribution of Loans

Morgan County has only two BNAs, one middle income and one upper income. Thus, detailed geographic distribution analysis was not considered meaningful.

Other Information

The bank has not received any written complaints regarding its CRA performance since the prior examination.

No violations of the substantive provisions of anti-discrimination laws and regulations were identified during this examination.