



## **PUBLIC DISCLOSURE**

AUGUST 06, 2018

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

Lusk State Bank  
RSSD# 912550

415 SOUTH MAIN STREET  
LUSK, WYOMING 82225

Federal Reserve Bank of Kansas City  
1 Memorial Drive  
Kansas City, Missouri 64198

**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.

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

Lusk State Bank (the bank) has a Satisfactory record of meeting the credit needs of its assessment area (AA) in a manner consistent with its resources and operating philosophy. The bank also received a Satisfactory at its previous Community Reinvestment Act (CRA) evaluation conducted by the Federal Reserve Bank of Kansas City (Reserve Bank) on July 7, 2014.

- The bank is meeting the credit needs of its community based on an analysis of lending activity.
- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and AA credit needs.
- A majority of the bank's loans are originated in the AA.
- Lending reflects a reasonable penetration among borrowers of different income levels, including low- and moderate-income (LMI), and farms of different revenue sizes.
- Neither the bank nor the Reserve Bank received any CRA-related complaints since the previous evaluation.

**SCOPE OF EXAMINATION**

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions*. The evaluation was performed in the context of information about the bank and its AA, such as asset size, financial condition, economic and demographic characteristics, and competition. Lending performance was assessed within the bank's single, non-Metropolitan Statistical Area AA comprised of Niobrara County, which is located in southeastern Wyoming. The following criteria were reviewed:

- **Net Loan-to-Deposit Ratio** – A 15-quarter average NLTD ratio was calculated for the bank and compared to a sample of local competitors.
- **Lending in the AA and Lending to Borrowers of Different Income Levels and to Farms of Different Revenue Sizes** – Statistically derived samples of the bank's consumer motor vehicle-secured loans and small farm loans originated from January 1, 2017 through December 31, 2017, were reviewed to determine:
  - The percentage of loans originated in the AA; and,
  - The distribution among borrowers of different income levels, particularly those considered LMI, and to farms with different revenue sizes, particularly those with gross annual revenue of \$1 million (MM) or less.

- **Lending to Geographies of Different Income Levels** – As the bank’s AA consists solely of one middle-income census tract, a geographic distribution analysis was not considered meaningful and thus was not evaluated.
- **Response to Substantiated Complaints** – Neither the bank nor the Reserve Bank received any CRA-related complaints since the previous evaluation.

One community representative from an agricultural-related organization was contacted to provide insight into the credit needs of small farms within the AA.

### DESCRIPTION OF INSTITUTION

The bank is a community bank headquartered in Lusk, Wyoming. The bank’s characteristics include:

- Total assets of \$57.5MM as of December 31, 2017.
- The bank operates one full-service location in Lusk, Wyoming, with drive-through services; the bank does not operate any automated teller machines.
- As of June 30, 2017, the bank’s deposit market share of 72.9 percent ranked it first of two Federal Deposit Insurance Corporation (FDIC)-insured institutions in Niobrara County.
- As of December 31, 2017, the bank’s loan portfolio primarily consists of loans to finance agriculture operations as these loans represent 73.0 percent of the bank’s total loans.

**TABLE 1  
LUSK STATE BANK LOAN PORTFOLIO  
AS OF DECEMBER 31, 2017**

Loan Type	Amount \$(000)	Percent of Total
Agricultural	22,504	73.0
Commercial	5,639	18.3
Consumer	2,052	6.6
Residential Real Estate	551	1.8
Other	87	0.3
<b>Gross Loans</b>	<b>30,833</b>	<b>100.0</b>

There are no known legal, financial, or other factors impeding the bank’s ability to meet the credit needs of the communities it serves.

**DESCRIPTION OF THE BANK'S ASSESSMENT AREA<sup>1</sup>**

The bank's AA is comprised of Niobrara County, Wyoming, in its entirety.

- See Appendix A for an AA map.
- The AA is comprised of one middle-income census tract.
- The AA's delineation is unchanged since the 2014 performance evaluation.

**PERMORMANCE CONTEXT**

- See Appendix B for demographic information.
- The AA county has a small population, equaling 2,516, based on the 2015 American Community Survey (ACS) five-year estimate data.
- The population in the AA increased only slightly from 2010 and 2015; and less than the rate of growth for state of Wyoming, as a whole.

<b>TABLE 2 NIOBRARA COUNTY AA POPULATION CHANGE</b>			
<b>Area</b>	<b>2010 Population</b>	<b>2011-2015 Population</b>	<b>Percentage Change (%)</b>
Niobrara County	2,407	2,516	1.3
State of Wyoming	493,782	579,679	2.8

Based on 2010 U.S. Census Data and 2015 American Community Survey five-year estimates

- Median family income increased at a lower rate (less than half) when compared to the state of Wyoming during the 2011-2015 period captured in the U.S. Census Bureau's ACS data.

<sup>1</sup> The following demographic data is based on 2010 U.S. decennial census data, 2006-2010 and 2011-2015 ACS five-year estimate data, and 2016 D&B data. Additional demographic data was also utilized based on the U.S. Bureau of Labor Statistics

**TABLE 3  
NIOBRARA COUNTY AA MEDIAN FAMILY INCOME CHANGE**

Area	2006-2010 Median Family Income (\$)	2011-2015 Median Family Income (\$)	Percentage Change (%)
Niobrara County	57,153	59,821	4.7
State of Wyoming	65,964	73,194	11.0

Based on U.S. Census Bureau Decennial Census and American Community Survey.

- Median housing values and rental costs were lower in Niobrara County than the state of Wyoming. However, both measures increased at a significantly greater rate in the county than the state as a whole over the time periods reviewed. This has resulted in a lower affordability ratio for Niobrara County, at 25.7 percent, than the state of Wyoming, at 29.0 percent.

**TABLE 4  
NIOBRARA COUNTY AA HOUSING COSTS CHANGE**

Area	Median Housing Value		Percentage Change (%)	Median Gross Rent		Percentage Change (%)
	2006-2010	2011-2015		2006-2010	2011-2015	
Niobrara County	107,500	157,900	46.9	473	588	24.3
State of Wyoming	174,000	194,800	12.0	666	789	18.5

Based on U.S. Census Bureau Decennial Census and American Community Survey.

- The unemployment rate in Niobrara County is generally low and was consistently lower than the state of Wyoming between 2013 and 2017.

**TABLE 5  
NIOBRARA COUNTY AA UNEMPLOYMENT RATES (%)**

Area	2013	2014	2015	2016	2017
Niobrara County	3.7	3.5	3.0	3.2	2.7
State of Wyoming	4.6	4.3	4.2	5.3	4.2

Based on Bureau of Labor Statistics: Local Area Unemployment Statistics.

- Major employers in Niobrara County include the local school district, Union Pacific Railroad, the Wyoming Women's Center, and local government agencies. Employment is evenly divided in Niobrara County among business and service industries, sales and construction work, with a slightly smaller percentage in farm and forestry occupations.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Net Loan-to-Deposit Ratio**

The bank’s NLTD ratio, at 62.3 percent, is reasonable given its size, financial condition, AA credit needs, and comparison to its local competitor FDIC-insured institutions.

<b>TABLE 6 COMPARATIVE NET LOAN-TO-DEPOSIT RATIOS</b>	
Institution	NLTD Ratio (%)
	15-Quarter Average
Lusk State Bank	62.3
Competitors	
Farmers State Bank	54.1
First National Bank	76.2
Summit National Bank	86.0
Sundance State Bank	62.2
Wyoming Bank & Trust	62.7

**Assessment Area Concentration**

Overall, a majority of the bank’s loans, by number, are originated inside the AA. Although the majority of the bank’s consumer motor vehicle-secured loans, by both number and dollar amount, are originated inside the bank’s AA, the majority of small farm loans by number and dollar are amount are originated outside the AA. This characteristic is considered reasonable in light of context considered in the performance evaluation, including:

- The bank's close geographic proximity to the borders of Nebraska and South Dakota States affect the bank's delineation of its AA. The technical AA delineation provisions under Regulation BB, *Community Reinvestment*, prevents the bank from delineating tracts across state boundaries as its AA, even though the bank considers these tracts within its trade area. Generally, most of the bank's small farm loans originated outside the AA were made in these tracts. In addition, these tracts are very rural with limited bank presence and competitors, especially for cattle lending.
- The bank participates in the U.S. Department of Agricultural Farm Service Agency Guaranty Loan Program in Nebraska, South Dakota, and Wyoming. This relationship has created additional opportunities to lend operating lines of credit and referrals across state lines.

**TABLE 7  
LENDING INSIDE AND OUTSIDE THE BANK'S AA**

Bank Loans	Inside				Outside			
	#	\$(000)	#%	\$%	#	\$(000)	#%	\$%
Motor Vehicle-Secured Loans	50	692	80.6	75.5	12	225	19.4	24.5
Small Farm Loans	22	4,385	38.6	46.6	35	5,029	61.4	53.4
<b>TOTAL LOANS</b>	<b>72</b>	<b>5,077</b>	<b>60.5</b>	<b>49.1</b>	<b>47</b>	<b>5,254</b>	<b>39.5</b>	<b>50.9</b>

**Distribution by Borrower Income and Revenue Size of Farms:**

The bank's lending has a reasonable penetration among individuals of different income levels and farms of different revenue sizes.

Motor Vehicle Secured Loans

The borrower distribution of motor vehicle-secured lending is excellent. The bank's lending to LMI borrowers by number and dollar volume significantly exceeded the percentage of LMI households in the AA.

**TABLE 8  
DISTRIBUTION OF 2017 MOTOR VEHICLE-SECURED LOANS  
BY BORROWER INCOME LEVELS  
NIOBRARA COUNTY AA**

Borrower Income Level	Motor Vehicle Secured Loans				% of Households <sup>1</sup>
	#	\$(000)	#%	\$%	
Low	26	276	52.0	39.8	36.7
Moderate	14	288	28.0	41.6	17.7
Middle	8	94	16.0	13.6	17.6
Upper	1	10	2.0	1.4	27.9
Unknown	1	25	2.0	3.6	0.0

<sup>1</sup> The percentage of households by income levels is based on 2015 ACS five-year estimate data. (NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Farm Loans

The borrower distribution of small farm lending is reasonable. The bank originated nearly all of its farm loans to farms with revenues of \$1MM or less; which mirrors the demographic.



**TABLE 9  
DISTRIBUTION OF 2017 SMALL FARM LOANS  
BY REVENUE SIZE OF FARMS  
NIOBRARA COUNTY AA**

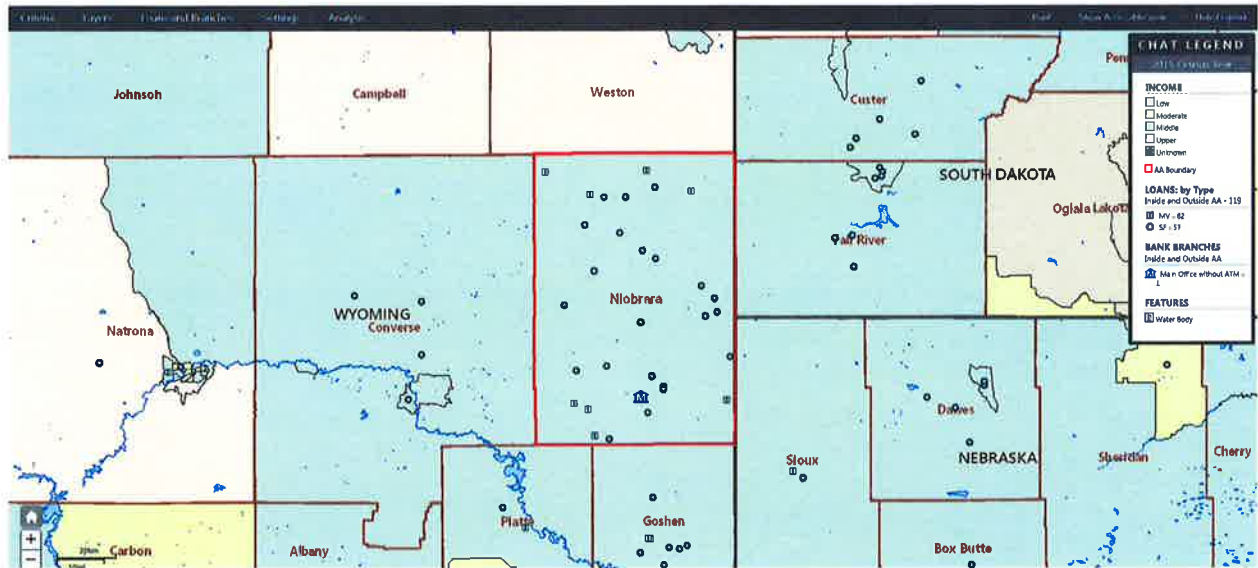
Farm Revenue	Small Farm Loans				% of Farms by Revenue <sup>1</sup>
	#	\$(000)	#%	\$%	
\$1MM or less	21	4,285	95.0	97.7	100.0
Over \$1MM	0	0	0.0	0.0	0.0
Unknown	1	100	4.5	2.3	0.0

<sup>1</sup> The percentage of farms by revenue size is based on 2017 D&B data.  
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

**FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

An evaluation of the bank’s fair lending activities was conducted during the examination to determine compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discriminatory or illegal credit practices inconsistent with helping to meet community credit needs was identified.

APPENDIX A – MAP OF THE ASSESSMENT AREA



APPENDIX B – DEMOGRAPHIC INFORMATION

TABLE B-1 NIOBRARA COUNTY AA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	188	31.6
Moderate	0	0.0	0	0.0	0	0.0	103	17.3
Middle	1	100.0	594	100.0	63	10.6	130	21.9
Upper	0	0.0	0	0.0	0	0.0	173	29.1
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>1</b>	<b>100.0</b>	<b>594</b>	<b>100.0</b>	<b>63</b>	<b>10.6</b>	<b>594</b>	<b>100.0</b>
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	0	0	0.0	0.0	0	0.0	0	0.0
Middle	1,321	715	100.0	54.1	330	25.0	276	20.9
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Unknown	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>1,321</b>	<b>715</b>	<b>100.0</b>	<b>54.1</b>	<b>330</b>	<b>25.0</b>	<b>276</b>	<b>20.9</b>
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	107	100.0	90	100.0	11	100.0	6	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>107</b>	<b>100.0</b>	<b>90</b>	<b>100.0</b>	<b>11</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>84.1</b>		<b>10.3</b>		<b>5.6</b>	
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	39	100.0	39	100.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>39</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>0</b>	<b>0.0</b>
<b>Percentage of Total Farms:</b>			<b>100.0</b>		<b>0.0</b>		<b>0.0</b>	

Based on 2017 FFIEC's Census tract definitions, 2015 ACS five-year estimate data, and 2017 D&B data.  
(NOTE: Total percentages may vary by 0.1 percent due to automated rounding differences.)

APPENDIX C – SCOPE OF EXAMINATION

SCOPE OF EXAMINATION LUSK STATE BANK			
<b>Products Reviewed</b>	Small farm loans, statistical sample Motor vehicle-secured loans, statistical sample		
<b>Time Period Reviewed</b>	Originations from January 1, 2017 through December 31, 2017		
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>	
None	N/A	N/A	
List of Assessment Areas and Type of Examination			
<b>Assessment Area</b>	<b>Type of Examination</b>	<b>Branches Visited</b>	<b>Other Information</b>
Niobrara County	Full Scope	None	N/A

## APPENDIX D – GLOSSARY

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Affordability ratio:** To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Consumer loan:** A loan to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, home equity, other secured loan, and other unsecured loan.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into "male householder" (a family with a male householder and no wife present) or "female householder" (a family with a female householder and no husband present).

**Fair market rent:** Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental

housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

**Geography:** A census tract or a block numbering area delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home mortgage loans:** Include home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Low-income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area:** A metropolitan statistical area (**MSA**) or a metropolitan division (**MD**) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area (**MMSA**). Performance within each MMSA is analyzed separately as a full-scope review and receives its own ratings under the Lending, Investment and Service Tests provided the financial institution has its main office, branch, or deposit-taking ATM located in each applicable state making up the MMSA.

**Middle-income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a geography.

**Moderate-income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Small loans to business:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small loans to farms:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.