



## **PUBLIC DISCLOSURE**

November 18, 2020

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

**The Bank of Star Valley  
RSSD# 2396604**

**384 Washington Street  
Afton, Wyoming 83110**

**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 COMMUNITY REINVESTMENT ACT RATING**

The Bank of Star Valley (the bank) is rated Satisfactory. This rating is based on the following conclusions with respect to the performance criteria:

- The bank's net loan-to-deposit ratio (NLTD) is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans are originated inside the AA.
- The geographic distribution of loans throughout the AA was not evaluated as the AA consists entirely of middle-income census tracts and the analysis would not have been meaningful.
- Lending reflects a reasonable penetration among individuals of different income levels, including low- and moderate-income (LMI), and businesses of different sizes.
- Neither the bank nor the Federal Reserve Bank of Kansas City received any Community Reinvestment Act (CRA)-related complaints since the previous evaluation.

## **SCOPE OF EXAMINATION**

The Federal Financial Institutions Examination Council's *Interagency Examination Procedures for Small Institutions* were utilized to evaluate the bank's CRA performance. The evaluation considered CRA performance context, including the bank's asset size, financial condition, business strategy and market competition, as well as AA demographic and economic characteristics, and credit needs. Lending performance was assessed within the bank's Lincoln County AA. The following data was reviewed:

- The bank's 16-quarter average NLTD ratio.
- Statistical samples of the bank's small business and motor vehicle-secured loans originated between January 1, 2019 and December 31, 2019:
  - Small business loans – 51 loans selected from a universe of 68 loans
  - Motor vehicle-secured loans - 96 loans selected from a universe of 181 loans

Greater weight was placed on the bank's small business lending performance given the bank's strategic focus on commercial lending.

## **DESCRIPTION OF INSTITUTION**

The bank is a community bank headquartered in Afton, Wyoming. The bank's characteristics include:

- The bank is a wholly owned subsidiary of Star Valley Bancshares, Inc.
- The bank has total assets of \$281.5 million (MM) as of June 30, 2020.

- In addition to its main office in Afton, the bank has two additional offices located in Thayne and Alpine, Wyoming.
- The bank operates a cash-only automated teller machine at each of its locations.
- The bank’s business focus includes commercial and residential real estate lending.

<b>TABLE 1 COMPOSITION OF LOAN PORTFOLIO AS OF JUNE 30, 2020</b>		
<b>Loan Type</b>	<b>\$(000)</b>	<b>%</b>
Commercial	73,825	56.0
Residential Real Estate	31,055	23.5
Consumer	16,527	12.5
Agricultural	10,459	7.9
Other	37	0.1
Gross Loans	131,903	100.0
<i>Note: Percentages may not total 100.0 percent due to rounding.</i>		

The bank was rated Satisfactory under the CRA at its October 31, 2016 performance evaluation. There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

**DESCRIPTION OF ASSESSMENT AREA**

The bank’s Lincoln County AA is contiguous and is comprised of the county’s two northernmost census tracts in Lincoln County, Wyoming (see Appendix A for an AA map).

- The AA is comprised of two middle-income census tracts.
- According to the June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank ranks first out of five FDIC-insured institutions operating in Lincoln County, Wyoming, with a deposit market share of 44.4 percent.
- To augment the CRA evaluation and ascertain the specific credit needs of the AA, two members of the community were interviewed. One community member was a local government representative and the other represented a community development organization operating in the AA.

<b>TABLE 2 POPULATION CHANGE</b>			
<b>Area</b>	<b>2010 Population</b>	<b>2015 Population</b>	<b>Percent Change</b>
Lincoln County, WY	18,106	18,316	1.2
State of Wyoming	563,626	579,679	2.8
<i>Source: 2010 U.S. Census Bureau Decennial Census 2011-2015 U.S. Census Bureau: American Community Survey</i>			

- The AA overall has experienced a slight increase in population over the past ten years, which a community member stated is expected to continue in the area due to increased demand for residential real estate within the market.
- An interview with a community member indicated that Lincoln County is the only county in the area that has sustained growth in population size. The community member commented that many people moving to Wyoming have been priced out of the nearby Jackson, Wyoming market, and alternatively choose to reside in Lincoln County.

<b>TABLE 3 MEDIAN FAMILY INCOME CHANGE</b>			
<b>Area</b>	<b>2010 Median Family Income</b>	<b>2015 Median Family Income</b>	<b>Percent Change</b>
Lincoln County, WY	65,347	74,528	14.0
State of Wyoming	65,964	73,194	11.0

*Source: 2006-2010 U.S. Census Bureau: American Community Survey  
2011-2015 U.S. Census Bureau: American Community Survey*

- According to 2015 American Community Survey data, 33.1 percent of AA households were designated as LMI, which is comparable to the statewide figure of 40.1 percent.
- Approximately 7.5 percent of AA families live below the poverty line, which is comparable to the statewide figure at 7.7 percent.

<b>TABLE 4 HOUSING COSTS CHANGE</b>						
<b>Area</b>	<b>Median Housing Value</b>		<b>Percent Change</b>	<b>Median Gross Rent</b>		<b>Percent Change</b>
	<b>2010</b>	<b>2015</b>		<b>2010</b>	<b>2015</b>	
Lincoln County, WY	196,400	201,700	2.7	781	796	1.9
State of Wyoming	174,000	194,800	12.0	666	789	18.5

*Source: 2006-2010 U.S. Census Bureau: American Community Survey  
2011-2015 U.S. Census Bureau: American Community Survey*

- The median housing value within the AA at \$215,037 is greater than that of the broader county at \$201,700 and state at \$194,800. Additionally, the median age of housing stock in the AA at 29 years is less than the statewide age at 37 years.
- Per a community member, these factors, along with proximity to Jackson, Wyoming, make Afton and the surrounding area an attractive and relatively affordable place to relocate.

<b>TABLE 5 UNEMPLOYMENT RATES</b>					
<b>Region</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
Lincoln County, WY	4.7	4.6	3.7	3.7	3.3
State of Wyoming	4.2	5.3	4.2	3.9	3.6

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics*

- Per a community member, the AA relies heavily on the energy (coal and oil) and agricultural industries for employment opportunities.
- A community member indicated that many residents travel outside of the Star Valley area for jobs related to the oil industry.
- Some of the area’s largest employers include J.R. Simplot Company (mining), Lower Valley Energy, Lincoln County School District, and Star Valley Health.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

**Net Loan-to-Deposit Ratio**

This performance criterion evaluates the bank’s average NLTD ratio to determine the reasonableness of lending in light of performance context, such as the bank’s capacity to lend, the availability of lending opportunities, the demographic and economic factors present in the AA, and in comparison to similarly situated FDIC-insured institutions. The similarly situated institutions were selected based on asset size, product offerings, and geographic location. The bank’s NLTD ratio is reasonable, as the ratio is within the range of NLTD ratios of the three similarly situated banks.

<b>TABLE 6 COMPARATIVE NLTD RATIOS</b>			
<b>Institution</b>	<b>Location</b>	<b>Asset Size (\$000s)</b>	<b>NLTD Ratio (%)</b>
			<b>16-Quarter Average</b>
The Bank of Star Valley	Afton, Wyoming	281,505	59.6
RSNB Bank	Rock Springs, WY	391,780	34.7
Central Bank & Trust	Lander, WY	176,994	69.9
Wyoming Community Bank	Riverton, WY	172,058	68.4

**Assessment Area Concentration**

This performance criterion evaluates the percentage of lending extended inside and outside of the AA. A majority of the bank’s loans, by number and dollar, are originated inside the AA.

<b>TABLE 7 LENDING INSIDE AND OUTSIDE THE AA</b>								
<b>Loan Type</b>	<b>Inside</b>				<b>Outside</b>			
	<b>#</b>	<b>\$(000)</b>	<b>#%</b>	<b>\$%</b>	<b>#</b>	<b>\$(000)</b>	<b>#%</b>	<b>\$%</b>
<b>Motor Vehicle-Secured Loans</b>	78	1,676	81.3	73.3	18	612	18.8	26.7
<b>Small Business Loans</b>	46	5,427	90.2	91.6	5	495	9.8	8.4
<b>Total Loans</b>	124	7,013	84.4	86.5	23	1,107	15.6	13.5

*Note: Percentages may not add to 100.0 percent due to rounding.*

**Geographic Distribution of Loans**

This performance criterion evaluates the bank’s distribution of lending within its AA by income level of census tracts. However, the bank’s performance under this criterion was not evaluated, as the AA consists entirely of middle-income census tracts and the analysis would not have been meaningful.

**Lending to Borrowers of Different Income Levels and to Businesses of Different Revenue Sizes**

This performance criterion evaluates the bank’s lending to borrowers of different income levels and businesses of different revenue sizes. The bank’s lending has a reasonable penetration among individuals of different income levels and businesses of different sizes.

**Small Business Lending**

The borrower distribution of small business lending is reasonable. The bank’s lending to small businesses with gross annual revenues less than or equal to \$1MM is below the demographic figure. However, due to the higher numbers of loans with unknown revenues, loan size was used as a proxy to assist in evaluating the bank’s performance. Analysis of the 16 loans without revenue information revealed that 13 were in amounts of less than \$200,000, with an average loan amount of approximately \$62,000. In addition, 87.0 percent of all loans in the sample were originated in amounts of \$250,000 or less. Considering this information, the bank illustrates a willingness to meet smaller credit demands typically associated with smaller businesses that lack the need or capacity to borrow larger amounts.

<b>TABLE 8 DISTRIBUTION OF 2019 SMALL BUSINESS LENDING BY REVENUE SIZE OF BUSINESSES</b>					
	<b>Bank Loans</b>				<b>Total Businesses</b>
	<b>#</b>	<b>\$(000)</b>	<b>#%</b>	<b>\$%</b>	<b>%</b>
<b>By Revenue</b>					
\$1 Million or Less	21	1,918	45.7	35.3	90.7
Over \$1 Million	9	1,511	19.6	27.8	7.8
Not Known	16	1,998	34.8	36.8	1.4
<b>Total</b>	<b>46</b>	<b>5,427</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>By Loan Size</b>					
\$100,000 or less	31	1,147	67.4	21.1	
\$100,001 – \$250,000	9	1,590	19.6	29.3	
\$250,001 – \$1 Million	6	2,690	13.0	49.6	
<b>Total</b>	<b>46</b>	<b>5,427</b>	<b>100.0</b>	<b>100.0</b>	
<b>By Loan Size and Revenue \$1 Million or Less</b>					
\$100,000 or less	15	541	71.4	28.2	
\$100,001 – \$250,000	4	675	19.0	35.2	
\$250,001 – \$1 Million	2	702	9.5	36.6	
<b>Total</b>	<b>21</b>	<b>1,918</b>	<b>100.0</b>	<b>100.0</b>	
<i>Source: 2019 FFIEC Census Data 2019 Dun &amp; Bradstreet Data 2011 – 2015 U.S. Census Bureau: American Community Survey</i>					
<i>NOTE: Percentages may not add up to 100.0 due to rounding.</i>					

**Motor Vehicle-Secured Lending**

The borrower distribution of motor vehicle-secured lending is excellent. The bank’s lending to low-income borrowers exceeds the percentage of low-income households. The bank’s lending to moderate-income borrowers is comparable to the percent of moderate-income households by number and exceeds the demographic comparison by dollar volume.

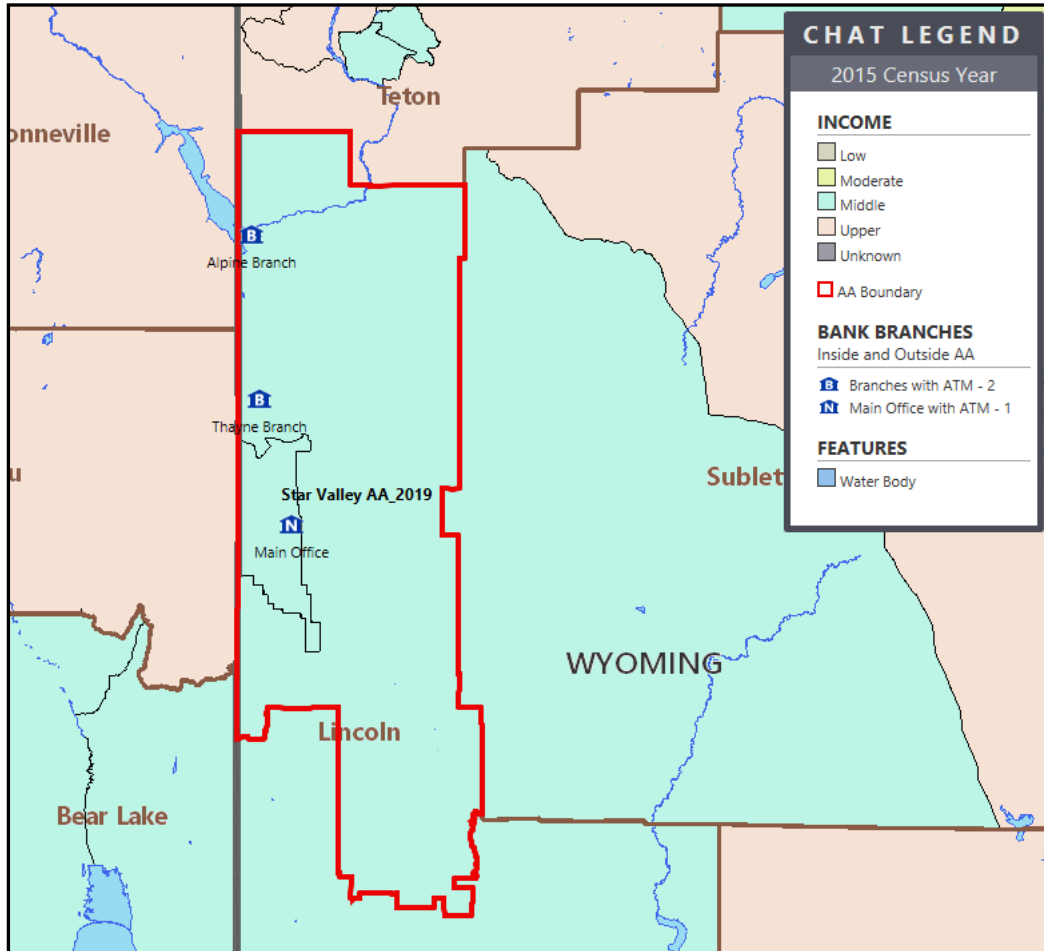
<b>TABLE 9 DISTRIBUTION OF 2019 MOTOR VEHICLE-SECURED LENDING BY BORROWER INCOME LEVEL</b>					
<b>Borrower Income Level</b>	<b>Bank Loans</b>				<b>% of Households</b>
	<b>#</b>	<b>\$(000)</b>	<b>#%</b>	<b>\$%</b>	
<b>Low</b>	39	735	50.0	43.8	18.1
<b>Moderate</b>	13	355	16.7	21.2	15.0
<b>Middle</b>	11	214	14.1	12.8	20.1
<b>Upper</b>	11	264	14.1	15.8	46.8
<b>Unknown</b>	4	108	5.1	6.4	0.0
<i>Source: 2019 FFIEC Census Data 2011 – 2015 U.S. Census Bureau: American Community Survey</i>					
<i>NOTE: Percentages may not add up to 100.0 due to rounding.</i>					



**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 other illegal credit practices inconsistent with helping to meet community credit needs was identified.

**APPENDIX A – MAP OF THE ASSESSMENT AREA**



**APPENDIX B – DEMOGRAPHIC INFORMATION**

<b>TABLE B-1 LINCOLN COUNTY AA DEMOGRAPHICS</b>								
<b>Income Categories</b>	<b>Tract Distribution</b>		<b>Families by Tract Income</b>		<b>Families &lt; Poverty Level as % of Families by Tract</b>		<b>Families by Family Income</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	0	0.0	0	0.0	0	0.0	749	21.4
<b>Moderate</b>	0	0.0	0	0.0	0	0.0	521	14.9
<b>Middle</b>	2	100.0	3,507	100.0	263	7.5	866	24.7
<b>Upper</b>	0	0.0	0	0.0	0	0.0	1,371	39.1
<b>Unknown</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>2</b>	<b>100.0</b>	<b>3,507</b>	<b>100.0</b>	<b>263</b>	<b>7.5</b>	<b>3,507</b>	<b>100.0</b>
	<b>Housing Units by Tract</b>	<b>Housing Type by Tract</b>						
		<b>Owner-occupied</b>			<b>Rental</b>		<b>Vacant</b>	
		<b>#</b>	<b>% by tract</b>	<b>% by unit</b>	<b>#</b>	<b>% by unit</b>	<b>#</b>	<b>% by unit</b>
<b>Low</b>	0	0	0.0	0.0	0	0.0	0	0.0
<b>Moderate</b>	0	0	0.0	0.0	0	0.0	0	0.0
<b>Middle</b>	6,172	3,847	100.0	62.3	880	14.3	1,445	23.4
<b>Upper</b>	0	0	0.0	0.0	0	0.0	0	0.0
<b>Unknown</b>	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>6,172</b>	<b>3,847</b>	<b>100.0</b>	<b>62.3</b>	<b>880</b>	<b>14.3</b>	<b>1,445</b>	<b>23.4</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract &amp; Revenue Size</b>					
			<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Moderate</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Middle</b>	497	100.0	451	100.0	39	100.0	7	100.0
<b>Upper</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Unknown</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>497</b>	<b>100.0</b>	<b>451</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>7</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				<b>90.7</b>		<b>7.8</b>		<b>1.4</b>
	<b>Total Farms by Tract</b>		<b>Farms by Tract &amp; Revenue Size</b>					
			<b>Less Than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue Not Reported</b>	
			<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Moderate</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Middle</b>	28	100.0	28	100.0	0	100.0	0	100.0
<b>Upper</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Unknown</b>	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total AA</b>	<b>28</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>0</b>	<b>100.0</b>	<b>0</b>	<b>100.0</b>
<b>Percentage of Total Farms:</b>				<b>100.0</b>		<b>0.0</b>		<b>0.0</b>
<p>Source: 2019 FFIEC Census Data                  2019 Dun &amp; Bradstreet Data                  2011 – 2015 U.S. Census Bureau: American Community Survey                  NOTE: Percentages may not add up to 100.0 due to rounding.</p>								

## **APPENDIX C – GLOSSARY**

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Census tract:** A small subdivision 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. Census tracts 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.

**Community development:** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies, designated disaster areas; or designated distressed or underserved nonmetropolitan middle-income geographies.

**Consumer loan(s):** A loan(s) 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: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**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 nonrelatives 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).

**Full-scope review:** Performance is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of

applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes 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.

**Limited-scope review:** Performance is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**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 reporting lenders in the metropolitan area/assessment area.

**Metropolitan area (MA):** 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.

**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.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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.

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** 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 \$500,000 or less and are either secured by farmland, 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.