



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 25, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Hilltop National Bank
Charter Number 15359**

**300 Country Club Road
Casper, Wyoming 82602**

**Comptroller of the Currency
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 CRA performance of **Hilltop National Bank** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 25, 1996. 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.”**

Hilltop National Bank is effectively meeting the credit needs of its community. The bank makes a substantial majority of its loans inside its assessment area to individuals of various income levels and businesses of different sizes. Hilltop National Bank is an active participant in mortgage lending programs that make housing loans more accessible to low-income and moderate-income families. The bank has made a number of qualifying community development loans and has expanded its services throughout the assessment area in the last year by adding automated teller machines (ATMs), lengthening operating hours, and opening one branch and a remote drive-up facility.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Hilltop 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		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION:

Hilltop National Bank is a \$182 million independently owned financial institution located in Casper, Wyoming. Hilltop National Bank operates three full service locations and a drive-up facility in the city of Casper, and one branch in Glenrock, Wyoming. The bank also operates 11 ATMs, 5 of which are deposit taking ATMs. Midland Financial Corporation, a one bank holding company, owns the bank.

Hilltop National Bank provides a full array of credit products. The loan portfolio, as of June 30, 1996, is comprised of the following: Loans to individuals 24.64%, commercial and industrial loans 26.95%, agriculture loans 2.04%, and credit card loans 3.05%. Loans secured by real estate represent 45.72% of the loan portfolio and are broken down into construction and development 1.86%, 1-4 family residential 26.35%, home equity 0.91%, farmland 1.07%, multi-family 2.04%, and non-farm non-residential 14.39%. There are no financial or legal impediments to the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA:

The bank designated all of Natrona County and the two western-most block numbering areas of Converse County as its assessment area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Natrona County is comprised of 19 census tracts. The census tracts are all part of the Casper, Wyoming, Metropolitan Statistical Area (MSA) #1350. The assessment area consists of 2 low-income tracts representing 10% of all tracts in the assessment area, 4 moderate-income tracts representing 19%, 12 middle-income tracts representing 57%, of which the two block numbering areas are included, and 3 upper-income tracts representing 14%. The 1990 census median-family income for the MSA and the two block numbering areas is \$32,469.

The population of the assessment area totals 64,693 persons representing 17,802 families. The population is stable. The distribution of the population among the various tracts in the assessment area is as follows:

**DISTRIBUTION OF ASSESSMENT AREA POPULATION
AMONG INCOME CATEGORIES**

<i>Tract Classification</i>	<i># of Persons</i>	<i>% of Persons</i>	<i># of Families</i>	<i>% of Families</i>
Low Income	3,050	4.72%	728	4.08%
Moderate Income	7,375	11.40%	2,102	11.81%
Middle Income	33,667	52.04%	9,276	52.11%
Upper Income	20,601	31.84%	5,696	32.00%
Total	64,693	100.00%	17,802	100.00%

The local economy is characterized as stagnant. Loan volume in the commercial sector is flat. Any commercial loan growth is derived from customers moving from competing institutions. Two contacts with the Wyoming Community Development Authority (WCDA) in May of 1995 indicated that affordable housing for low-income and moderate-income individuals is the most pressing need of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

Hilltop National Bank’s loan-to-deposit ratio is reasonable given its operating environment and economic conditions in central Wyoming and in the assessment area. The average loan-to-deposit ratio for the eight quarters ended June 30, 1996, is 44.7%. The eight quarter average of four similarly situated independent financial institutions based solely on asset size located in the state of Wyoming is 53.95%.

The bank’s loan-to-deposit ratio does not accurately reflect the bank’s lending activity. Through the first 9 months of 1996 the bank sold in the secondary market \$13 million, or 82% of \$16 million in mortgage loans originated. If the bank’s loan-to-deposit ratio included mortgage loans sold on the secondary market, the ratio would be consistent with those reported by other similarly situated banks. Generally, it appears that banks in central and eastern Wyoming have low loan-to-deposit ratios due to limited lending opportunities and lack of economic growth. We reviewed available loan-to-deposit ratio data on 54 banks in Wyoming. Our review identified 18 banks with loan-to-deposit ratios less than 50%. Of these 18 banks, 12, or 67%, were banks in central or eastern Wyoming with economic conditions similar to that of Casper.

Lending in Assessment Area

Hilltop National Bank originates a substantial majority of loans in its assessment area. Originations between January 1, 1996, and September 30, 1996, for two major loan products were reviewed. The following table provides a summary:

LOANS INSIDE AND OUTSIDE OF ASSESSMENT AREA						
	<i>Home Mortgage</i>		<i>Business</i>		<i>Total</i>	
	#	\$	#	\$	#	\$
Loans Inside	341	\$17,593M	452	\$9,728M	793	\$27,321 M
Percent Inside	97.15%	95.70%	93.97%	89.37%	95.31%	93.34%
Loans Outside	10	\$791M	29	\$1,157M	39	\$1,948M
Percent Outside	2.85%	4.30%	6.03%	10.63%	4.69%	6.66%
Total Reviewed	351	\$18,384M	481	\$10,885M	832	\$29,269 M

Approximately 95% of home mortgage and business loan originations by number and 93% by dollar volume originated in the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Hilltop National Bank's distribution of loans among borrowers of various income levels and businesses of different sizes is excellent. The bank's mortgage and installment loan penetration to low-income and moderate-income individuals exceeds family representations across similar income categories as presented in the tables below.

We selected 100% of mortgage loan originations between January 1, 1996, and September 30, 1996, from the bank's Home Mortgage Disclosure Act-Loan Application Register (HMDA-LAR), 51 auto loans selected as part of our fair lending review, and new business loans originated in September of 1996. The 42 new business loans sampled represent 8.73% of business loans originated between January 1, 1996, and September 30, 1996. Refer to the following tables for a summary:

MORTGAGE LOAN DISTRIBUTION BY INCOME			
<i>Income Category</i>	<i>Loan Sample</i>		<i>Family Distribution Within Each Income Category</i>
	#	%	%
Low (<\$20M)	42	13.38%	20.24%
Moderate (>\$20M <\$32M)	91	28.98%	17.51%
Middle (>\$32M <\$48M)	103	32.80%	24.62%
Upper (>\$48M)	78	24.84%	37.63%
Total Sample	314	100.00%	100.00%
Loans with no income information on LAR	27		
Total	341		

AUTO LOAN DISTRIBUTION BY INCOME			
<i>Income Category</i>	<i>Loan Sample</i>		<i>Family Distribution Within Each Income Category</i>
	#	%	%
Low (<\$20M)	4	7.84%	20.24%
Moderate (>\$20M <\$32M)	15	29.41%	17.51%
Middle (>\$32M <\$48M)	20	39.22%	24.62%
Upper (>\$48M)	12	23.53%	37.63%
Total	51	100.00%	100.00%

DISTRIBUTION OF BUSINESS LOANS BY REVENUE		
	<i># Reviewed</i>	<i>% of Loans Reviewed</i>
Revenues < \$1,000M	29	80.56%
Revenues > \$1,000M	7	19.44%
Total Sampled	36	100.00%
Loans Without Revenues Reported	6	
Total New Business Loans Originated in September 1996	42	

Hilltop National Bank is an active participant in government loan programs which help make loans more affordable for low- and moderate-income individuals. The bank works closely with the WCDA in its home loan program. WCDA loans involve first mortgage purchase money loans and also a second mortgage loan that the bank makes and WCDA purchases. Proceeds from the second mortgage loan can be used towards the down payment and/or for closing costs. Through the 9 months ended September 30, 1996, the bank had originated 45 WCDA loans totaling \$2,742,000.

Hilltop National Bank is the only Federal Housing Administration (FHA) Title One home improvement lender in Casper, Wyoming. Title One home improvement loans allow greater flexibility in underwriting. Specifically, debt ratios can be higher, no equity is required in the property, and loans up to \$25,000 can be made without an appraisal. The bank also originates numerous FHA and Veterans Administration mortgage loans.

Hilltop National Bank has made several loans that meet the criteria for consideration as a community development loan. The outstanding balance of these loans totals approximately \$57,000. These loans were made to Samaritan Counseling Center of Wyoming, Housing Alternatives, Inc., and Central Wyoming Rescue Mission. The bank does not have any investments that meet the qualified investment criteria outlined in the regulation.

The bank continues to expand its services to meet customer needs throughout the assessment area. The bank now operates 11 ATMs, 3 branches, and a drive-up facility in the assessment area. The drive-up facility and the downtown branch are located in low-income census tracts. An additional ATM is located in a moderate-income census tract. Office hours have been expanded to include Saturday banking at the Casper drive-up facility. The Mountain Plaza branch remains open until 8:30 p.m. every Friday to provide check cashing services in response to a request from a local business.

Geographic Distribution of Loans

Hilltop National Bank’s geographic distribution of mortgage loans throughout the census tracts and block numbering areas comprising the assessment area is reasonable. The following table supports our analysis:

GEOGRAPHIC DISTRIBUTION OF MORTGAGE LOANS						
	<i>Mortgage Loans Originated by Census Tracts</i>		<i>Assessment Area Breakdown by Census Tracts and BNA’s</i>		<i>Family Representation in Census Tracts Comprising Assessment Area</i>	
<i>Tract Characteristics</i>	<i>#</i>	<i>%</i>	<i>#</i>	<i>% of Total Tracts</i>	<i># of Families</i>	<i>% of Total Families</i>
Low	6	1.76%	2	9.52%	728	4.08%
Moderate	26	7.62%	4	19.05%	2,102	11.81%
Middle	156	45.75%	12	57.14%	9,276	52.11%
Upper	119	34.90%	3	14.29%	5,696	32.00%
Loans in Casper MSA but no tract data on LAR	34	9.97%				
Totals	341	100.00%	21	100.00%	17,802	100.00%

Response to Complaints

No CRA related complaints have been received by the bank.

Record of Compliance with Antidiscrimination Laws

We found no violations or evidence of discrimination during our examination.