



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

December 18, 1997

Community Reinvestment Act Performance Evaluation

**The First National Bank
Charter Number 5738**

**528 Iowa Street
Essex, Iowa 51638**

**Office of the Comptroller of the Currency
Omaha North Field Office
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154**

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 The First National Bank prepared by The Office of the Comptroller of the Currency, as of December 18, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

The First National Bank (FNB) is reasonably meeting the credit needs of its community. A large portion of the bank's loans are made within the bank's assessment area. The bank's lending efforts reflect reasonable penetration to individuals of different income levels and to farms of various sizes.

Description of Institution

FNB is a \$45 million bank located in Southwest Iowa. The bank is 100% owned by Panhandle Aviation, Inc., a multi-bank holding company. The bank recently moved their main office to Red Oak, Iowa and has a branch in Essex, Iowa and an automated teller machine (ATM) on highway 59 South, in Shenandoah, Iowa. There are no factors, including the bank's financial condition, which restrict the bank's ability to comply with the Community Reinvestment Act.

Description of Red Oak and Essex, Iowa

FNB has designated eight block numbering areas (BNAs), located in Montgomery, Page and Fremont Counties, as their assessment area. The population of Red Oak and Essex is approximately 6,264 and 922, respectively. Seven BNAs were designated middle-income and one BNA was designated moderate-income in the 1990 census. The statewide nonmetropolitan updated median family income is \$39,200, while the assessment area's median family income is \$28,492. The 1990 census information indicated 20% of the households in the assessment area are low-income, 18% moderate-income, 27% middle-income, and 35% upper-income. Twelve percent of the households are below the poverty level. The median housing value is \$33,337 and 64% of the homes are owner-occupied. Agriculture is the primary industry in the area.

The primary needs identified by the bank are small farm and business, residential real estate and consumer loans. Our community contacts confirmed these as the community's main credit needs. Competition results from 12 other financial institutions within the bank's assessment area.

Conclusions with Respect to Performance Criteria

FNB's 12 quarter average loan-to-deposit ratio is slightly below average, but reasonable, in comparison to ratios of other competitors in the community. As of September 30, 1997, the bank's 12 quarter average loan-to-deposit ratio was 58%. This ratio is below the 13 bank average of 63% in Montgomery, Page and Fremont Counties. Other bank ratios ranged from 42% to 88%.

A large portion of the bank's loans are made to borrowers who live within the assessment area. We sampled 19 agricultural and 29 residential real estate loans originated since January 1, 1996 as indications of lending levels inside the bank's assessment area. We sampled these loan categories since they represent 48% of the bank's loan portfolio and are the two largest bank products. The tables below summarize our findings.

Agricultural Loans				
	Number	% Number	\$ Volume	% \$ Volume
Inside assessment area	18	95%	\$2,318,477	99%
Outside assessment area	1	5%	\$21,300	1%
Total	19	100%	\$2,339,777	100%

Residential Real Estate Loans				
	Number	% Number	\$ Volume	% \$ Volume
Inside assessment area	23	79%	\$946,225	81%
Outside assessment area	6	21%	\$219,327	19%
Total	29	100%	\$1,165,552	100%

The bank has a reasonable penetration of loans to businesses of different sizes and borrowers of different incomes. We used the agricultural and residential real estate loan samples described above to determine the bank's level of lending to farms of different sizes and individuals with different incomes. The tables below summarize our findings.

Agricultural Loans				
Gross Revenues	Number	% Number	\$ Volume	% \$ Volume
\$0 - \$50,000	1	6%	\$32,500	2%
\$50,001-\$100,000	5	28%	\$372,660	19%
\$100,001-\$250,000	11	61%	\$1,161,283	59%
\$250,001-\$450,000	1	5%	\$418,234	20%
Total	18	100%	\$1,984,677*	100%

*The bank's total dollar volume of agricultural loans originated from January 1, 1996 to December 1, 1997 is \$8,398,407. Our sample covered 14% of the bank's origination volume.

In addition to the above agricultural loans, the bank participates in the Iowa Agricultural Development Authority (IAOA) beginning farmer loan program. This program is a tax-exempt bond program which is offered to beginning farmers at a lower interest rate. The bank has made four loans totaling \$275,000 under this program.

Residential Real Estate Loans					
Income Levels	# of loans in the OCC's sample the bank has originated since 1/1/96	% of the # of loans in the OCC's sample the bank has originated since 1/1/96	% of families within all income tract categories of the bank's Assessment Area	\$ Volume	% of \$ Volume
Low	5	17%	20%	\$86,930	7%
Moderate	7	24%	18%	\$172,827	15%
Middle	8	28%	26%	\$303,807	26%
Upper	9	31%	35%	\$602,588	52%
Total	29	100%	100%	*\$1,166,152	100%

*The bank's total dollar volume of residential real estate loans originated from January 1, 1996 to December 1, 1997 totals \$4,687,109. Our sample covered 25% of the bank's origination volume.

FNB also participates in the First Home Fund program through the Federal Home Loan Bank of

Des Moines which assists low- and moderate-income first time home buyers with the down payment and closing costs associated with their home purchase. FNB was the only bank in Southwest Iowa who was awarded the funds for this program. In 1996, the bank assisted eight borrowers in this program.

The bank participates in the Southwest Iowa Habitat for Humanity program. Under the program, the bank funded a \$25,000 interest-free loan for six months in 1996 to help with the construction of four houses which benefit low income people.

FNB also assisted three qualified low income borrowers with the purchase of their homes through the Rural Economic and Community Development Program. The three loans totaled \$25,830.

The bank satisfactorily penetrates all geographies in their assessment area. Fourteen percent of the residential real estate loans we sampled were made to borrowers in their moderate income census tract (CT). This is reasonable considering 11% of total families in the assessment area are located in this moderate-income CT. The agricultural loan sample showed no penetration in their moderate-income CT. This is satisfactorily explained because most of the CT is comprised of the city of Shenandoah, not a rural area where most farmers live.

FNB is in compliance with antidiscrimination laws and regulations. Our review did not disclose any evidence of discrimination or other illegal credit practices.