



**Comptroller of the Currency
Administrator of National Banks**

PUBLIC DISCLOSURE

June 30, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Grundy National Bank of Grundy Center
Charter Number 14066
603 Seventh Street
Grundy Center, Iowa 50638**

**Office of the Comptroller of the Currency
Des Moines Duty Station
6200 Aurora Avenue, Suite 300W
Urbandale, Iowa 50322**

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.
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GENERAL INFORMATION

The Community Reinvestment Act 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 Grundy National Bank of Grundy Center**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 30, 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 "Satisfactory."

The Grundy National Bank of Grundy Center's average loan-to-deposit ratio since the last CRA examination is 60.5%. This is reasonable given the bank's size, financial condition, and assessment area credit needs. A majority (72%) of loans are located within the institution's assessment area. The bank actively lends to low- and moderate-income borrowers and to businesses and farms of different sizes.

The following table indicates the performance level of The Grundy National Bank of Grundy Center, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The Grundy National Bank of Grundy Center 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	Analysis Not Meaningful		
Response to Complaints		X	

DESCRIPTION OF INSTITUTION

The Grundy National Bank of Grundy Center (GNB) is a \$97 million bank located in North Central Iowa. GNB Bancorporation, a two-bank holding company, owns 100% of GNB. The bank has two locations in Iowa. The main office (deposit services), a branch office (loan services), and an automated teller machine (ATM) are located in downtown Grundy Center. The bank also has a branch in Holland, three miles Northwest of Grundy Center, which offers deposit services on a limited-hours basis. GNB offers a full range of loan products, including:

- Agricultural and commercial loans for farm and commercial real estate, operating expenses, and equipment purchases. The bank also offers Farm Service Agency and Small Business Administration government-guaranteed loans.
- Residential real estate loans, including adjustable-rate products and long-term fixed-rate mortgages through a correspondent bank.
- Consumer loans for vehicles, education, credit cards, home improvement, personal, and debt consolidation purposes.

The bank specializes in agricultural lending. Agricultural real estate and operating loans comprised 45% of GNB's outstanding loans by dollar volume on June 30, 1996. GNB also emphasizes commercial lending (24%) and residential real estate lending (18%).

There are no legal impediments or other factors, including the financial condition of the bank, which limit its ability to perform in accordance with CRA regulations.

DESCRIPTION OF ASSESSMENT AREA

GNB defines its assessment area as Grundy County, Iowa. The assessment area includes the communities of Grundy Center (county seat), Holland, Dike, Reinbeck, Morrison, Conrad Beaman, Stout, and Wellsburg. It meets the requirements of CRA and does not arbitrarily exclude any low- or moderate-income areas. No part of the assessment area is located in a Metropolitan Statistical Area (MSA).

The 1996 non-MSA median family income (MFI) for Iowa is \$37,000. The following table summarizes the income levels of individual Block Numbering Areas (BNAs) and families located within the bank's assessment area.

	# BNAs	Percentage of Families
Low Income (<50% Non-MSA MFI)	0	14 percent
Moderate Income (50-79%)	0	18 percent
Middle Income (80-119%)	4	29 percent
High Income (120+%)	0	39 percent

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

GNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's average LTD ratio over the last 11 quarters equal 60.5%. In addition, the bank's LTD ratio shows a slowly increasing trend over the last three years, from a low of 57.5% on March 31, 1994, to a high of 65.3% on June 30, 1996. GNB ranks fourth among the six banks located in the assessment area. Average LTD ratios for these six banks range from 35% to 78%, with an overall average of 64%.

Lending in Assessment Area

The bank makes a majority of its loans to borrowers located within its defined assessment area. Approximately 72% of outstanding loans by dollar volume were made within the bank's assessment area as of June 30, 1996.

We used bank-generated reports to determine the location of commercial and agricultural loan customers. We verified this data for accuracy. Examiners sampled 50% of the residential real estate portfolio and 25% of the consumer portfolio to determine locations of those loan customers. The following table illustrates loan customers located inside the assessment area by loan type.

	Outstanding Loan Volume	Percentage Inside Assessment Area
Commercial/Agricultural (Real Estate and Operating)	\$39.4 million	67%
Residential Real Estate (first lien only)	\$8.4 million	94%
Consumer (includes second liens on residential real estate)	\$3.5 million	80%

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of borrowers reflects excellent dispersion among individuals of different income levels. Examiners focused analysis on agricultural and commercial real estate and operating lending, as well as residential real estate lending. These products accounted for 87% of the bank's outstanding loan portfolio on June 30, 1996.

GNB lends predominately to small businesses and farms. We used loan size for proxy as an indicator of business and farm size, since income information on small farm and business loans was not readily available. The regulation defines small farm and business loans as those with original amounts less than \$500,000 and \$1 million, respectively.

	Number of Loans	Dollar Volume of Loans
Agricultural Loans		
<\$100,000	538	\$9.8 million
\$100,000-\$250,000	78	\$7.5 million
\$250,000-\$500,000	17	\$3.9 million
>\$500,000	5	\$2.9 million
Commercial Loans		
<\$100,000	254	\$4.4 million
\$100,000-\$250,000	11	\$1.6 million
\$250,000-\$1million	20	\$5.4 million
>\$1million	1	\$1.1 million

A 50% sample of residential real estate loans showed the bank affirmatively lends to low- and moderate-income applicants within the assessment area, even though most of the families are middle- and high-income.

	Percentage of Loans	Percentage of Families
Low Income	8 percent	14 percent
Moderate Income	31 percent	18 percent
Middle Income	31 percent	29 percent
High Income	30 percent	39 percent

The average outstanding loan balance in the consumer loan portfolio is only \$3,900. This suggests that GNB makes consumer loans available to persons of all income levels.

We found no violations of anti-discrimination laws and regulations.

Geographic Distribution of Loans

All four BNAs in the assessment area are categorized as “middle income.” Since the BNAs are homogenous, geographic distribution analysis is not meaningful.

Response to Complaints

GNB received one credit-related comment letter since the last CRA examination. The letter was from a community group regarding the availability of debt restructuring using a government guaranteed loan program, specifically for one of the bank’s borrowers. As noted above, the bank offers Farm Service Agency (FSA) government-guaranteed loans. GNB successfully restructured the borrower’s debt using the FSA program.