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Comptroller of the Currency  
Administrator of National Banks

**Small Bank**

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## **Public Disclosure**

**July 20, 1998**

### **Community Reinvestment Act Performance Evaluation**

**United National Bank of Iowa  
Charter Number 18059**

**900 Illinois  
Sidney, Iowa 51652**

**Office of the Comptroller of the Currency  
Omaha 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 **United National Bank of Iowa** prepared by The Office of the Comptroller of the Currency, as of July 20, 1998. 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 bank's lending level is reasonable, given the institution's size, condition, and assessment areas credit needs. A substantial majority of the bank's loans are within the assessment area. Lending to farms of different sizes and borrowers of different income levels is reasonable. The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. Examiners did not detect illegal discrimination or disparate treatment of applicants. The bank has no written complaints related to their CRA performance.

## Description of Institution

United National Bank of Iowa (UNBI) is a \$31 million financial institution located in Sidney, Iowa, an agricultural community located in southwestern Iowa. UNBI also has two branches, one in Bedford, 65 miles east and a second in Thurman, 9 miles northwest of Sidney. Lending services are offered at the Sidney and Bedford locations.

Thurman State Corporation, a one-bank holding company, owns 97% of UNBI. There are no legal or financial impediments limiting the bank's ability to meet the area's credit needs.

On June 30, 1998, UNBI's loan portfolio comprised 74% of total assets. The bank's primary credit products are agricultural and residential real estate loans. These products comprise 67% of outstanding loans by dollar volume. The table below details the loan portfolio by outstanding loan volume and number of loans.

	% of Outstanding Loans by Dollar	% of Outstanding Loans by Number
Agricultural	46.51%	25.69%
Residential Real Estate	20.68%	15.50%
Consumer Instalment	11.62%	44.41%
Commercial	16.99%	12.95%
Nonfarm Nonresidential Real Estate	4.20%	1.45%

UNBI was rated "Satisfactory" at the last CRA examination, May 8, 1996.

## Description of United National Bank of Iowa's Assessment Area

The assessment areas meet the requirements of CRA. The assessment areas do not exclude low- or moderate-income tracts and include whole Block Numbering Areas (BNA). The bank has defined two separate assessment areas. The first assessment area is Fremont County (BNA # 9701, 9702 and 9703). The Sidney and the Thurman locations are in this assessment area. The second is Taylor County (BNA # 9801, 9802 and 9803). Bedford is in this assessment area. Refer to the bank's CRA Public File for a map of the assessment area.

The 1998 Iowa statewide median family income is \$41,200 (\$39,200 in 1997). Two of the BNAs in Taylor County are moderate-income (<80% of median family income) and one is middle-income (80% to 120% of median family income). All three BNAs in Fremont County are middle-

income. Family incomes in the assessment areas are 22.5% low-income, 23.0% moderate-income, 25.3% middle-income, and 29.2% upper-income. The economy is stable with the main source of employment provided by agriculture, manufacturing, and government.

The local banking environment is competitive. Fremont and Taylor Counties are served by several area financial institutions and branches. The primary credit needs of the area include agriculture, housing, small business and consumer loans. We determined the credit needs of the area through community contacts in Sidney and Bedford.

### **Conclusions with Respect to Performance Criteria**

The bank's lending levels are reasonable.

UNBI's net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the assessment area's credit needs. The loan-to-deposit ratio averaged 81.9% over the past eight quarters and was 80.1% on March 31, 1998. UNBI has the second highest loan-to-deposit ratio in the assessment areas. The loan-to-deposit ratios of the other institutions in the assessment area range from 57.1% to 88.6%.

The bank is lending in the assessment area.

UNBI originates a substantial majority of its loans within the assessment area. The table below shows the findings of our sample:

#### **ASSESSMENT AREA CONCENTRATION**

(A sample of 30 residential real estate and 27 agriculture loans between 6/30/96 and 7/20/98)

	<b>Number of Loans</b>	<b>% of Total Number</b>	<b>\$ of Loans (\$000)</b>	<b>% of Total \$</b>
Inside Assessment Area	52	91.2%	\$3,333	83.1%
Outside Assessment Area	5	8.8%	\$679	16.9%
<b>Totals</b>	<b>57</b>	<b>100.0%</b>	<b>\$4,012</b>	<b>100.0%</b>

Lending to borrowers of different incomes and to farms of different sizes is reasonable.

UNBI has a satisfactory record of lending to borrowers of different income levels. The bank made 43% of the residential real estate loans sampled to low- or moderate-income individuals. Lending levels reflect a reasonable penetration among individuals of different income levels.

The table below demonstrates the bank's breakdown of loans to individuals as compared to the income demographics of the assessment area. The breakdown of income in the assessment area is from 1990 census data.

**LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS**

(Sample of 30 residential real estates secured loans originated between 06/30/96 and 07/20/98)

<b>Income Level</b>	<b>\$ of loans (\$000)</b>	<b>% of total \$</b>	<b># of loans</b>	<b>% of total #</b>	<b>% In Assessment Area</b>
Low	\$96	12.8%	5	16.7%	22.5%
Moderate	\$203	27.0%	8	26.7%	23.0%
Middle	\$213	28.2%	11	36.6%	25.3%
Upper	\$241	32.0%	6	20.0%	29.2%
<b>Totals</b>	<b>\$753</b>	<b>100.0%</b>	<b>30</b>	<b>100.0%</b>	<b>100.0%</b>

The bank does a satisfactory job of lending to farms of different sizes. The table below demonstrates the bank's performance in making farm loans to operations of all sizes, especially small and moderate size farms. The table separates farm size by gross revenues.

**LOANS TO FARMS OF DIFFERENT SIZES**

(A sample of 27 agricultural borrowers using loan origination amount)

<b>Gross Revenue of Farm / Business *</b>	<b>\$ of loans (\$000)</b>	<b>% of total \$</b>	<b># of loans</b>	<b>% of total #</b>	<b>Farms in Assessment Area (%)**</b>
\$0 - \$100,000	\$808	24.8%	15	55.6%	73.3%
\$100,001 - \$250,000	\$1,521	46.7%	8	29.6%	18.5%
\$250,001-\$500,000	\$294	9.0%	2	7.4%	6.6%
over \$500,001	\$635	19.5%	2	7.4%	1.6%
<b>Totals</b>	<b>\$3,258</b>	<b>100.0%</b>	<b>27</b>	<b>100.0%</b>	<b>100.0%</b>

\* Revenue information is based on tax returns and cash-flows in each credit file.

\*\*Information taken from the 1992 U.S. Agriculture Census.

Geographic distribution of loans is reasonable.

The geographic distribution of loans reflects a reasonable dispersion throughout Taylor County. A geographic distribution analysis was not performed on Fremont County since all the BNAs are middle-income, and the analysis would not be meaningful. The Taylor County geographic distribution included a sample of 16 residential real estate secured loans originated between 6/30/96 and 7/20/98. We found that 14 of these loans or 88% of the sample were made in the moderate-income BNAs. This indicates that the bank is not excluding the moderate-income BNAs.

Response to complaints

The bank has not received any written complaints related to its CRA performance during the evaluation period.

Record of compliance with anti-discrimination laws

We did not detect violations of any substantive provisions of anti-discrimination laws or disparate treatment of any residential loan applicants during our evaluation.