



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**January 06, 2003**

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

**Okey-Vernon First National Bank  
Charter Number 8725**

**701 Davis Street  
Corning, Iowa 50841**

**Comptroller of the Currency  
Omaha North Field Office  
13710 FNB Parkway, Suite 110  
Omaha, Nebraska 68154**

**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 CRA RATING

**This institution is rated Satisfactory.**

Okey-Vernon First National Bank (OVFNB) meets the credit needs of its assessment area (AA). The primary lending activities are agricultural, commercial, and consumer loans.

- The geographic distribution of loans reflects a reasonable dispersion throughout the AA.
- A substantial majority of the bank's loans are within the AA.
- The bank's lending efforts result in a reasonable penetration to borrowers of different income levels and farms and businesses of different sizes.

## DESCRIPTION OF INSTITUTION

OVFNB is a \$44 million bank located in Adams County in southwest Iowa. The bank has two offices, one in Corning and the second in Prescott, Iowa. The bank operates two deposit taking automated teller machines (ATMs) in Corning. OVFNB is 100% owned by Whitmore Company, Inc. location, a multi-bank holding company in Corning, Iowa. Whitmore Company, Inc. also owns 100% of First Federal Savings Bank in Creston and Page County State Bank in Clarinda. Holding company assets total \$146 million.

There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. OVFNB was rated "Satisfactory" at the last CRA examination dated June 22, 1998.

As of December 31, 2002, OVFNB's \$14 million loan portfolio comprised 32% of total assets. The bank's primary credit products are agricultural, commercial, and consumer loans. The following table shows the volume of each loan type originated by dollar and number since the last CRA examination.

<b>LOAN PORTFOLIO ORIGINATIONS</b>				
	<b>Originated Loans by Dollars</b>		<b>Originated Loans by Number</b>	
	<b>\$(000)</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
Agricultural Loans	35,546	61%	1,414	49%
Commercial Loans	15,541	26%	418	14%
Consumer Loans	5,111	9%	1,007	35%
Residential RE Loans	2,442	4%	53	2%

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's AA includes all of Adams County. The AA includes Block Numbering Areas (BNAs) 9501 and 9502. BNA 9501 is moderate-income and BNA 9502 is middle-income. The bank's AA meets the requirements set forth in the Community Reinvestment Act. A map of the AA can be obtained from the bank's CRA public file.

According to the 1990 U.S. Census, the population of the AA is 4,866. The Housing and Urban Development (HUD) 2002 weighted average updated median family income for the statewide non-metropolitan statistical areas in Iowa is \$49,400. The median family income for the AA is estimated at \$24,000. Family income distribution within the AA is 26% low-income, 23% moderate-income, 27% middle-income, and 24% upper-income. Census data also indicates that 16% of the households in the AA are below the poverty level. The median housing value in the AA is \$24,985, and 65% of the housing is owner-occupied.

The local economy is driven by agriculture. Major employers include Precision Pulley, Midwest Opportunities, the local hospital, area schools, county government, and retail and manufacturing businesses located throughout the AA.

Adams County is served by four financial institutions chartered within the AA, including OVFNB. The institutions have total assets ranging from \$12 million to \$50 million. OVFNB has a 61% market share of deposits within Adams County. This examination includes comparisons to similarly situated banks in the AA. Since two of the institutions chartered in Adams County have a majority of their deposits outside of the county, they are not considered similarly situated. Therefore, OVFNB's performance was compared to only one bank within the AA.

Examiners made one community contact during this CRA examination. The contact was with a member of a state agency with a good understanding of area credit needs and knowledge of the efforts undertaken by area banks to meet those needs. The contact identified agricultural, small business, affordable housing, and consumer loans as needs in the community. OVFNB offers loan products to address these needs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

OVFNB's loan-to-deposit (LTD) ratio is reasonable, given its size, financial condition, and AA credit needs. The quarterly LTD ratio average over the last 18 quarters is 37.87%. This is comparable to the 29.93% average of the other similarly situated bank in the AA. The LTD ratios of the banks are low compared to other Iowa banks. However, Adams County has one of the lowest populations in the state, limiting the borrower base within the county.

## Lending in Assessment Area

OVFNB originates a substantial majority of its loans within the AA. We reviewed a sample of agricultural, commercial, and consumer borrowers to assess the bank's lending within the AA. All loans were originated since the last CRA examination. The following table details the findings of our sample.

<b>ASSESSMENT AREA CONCENTRATION</b>				
	<b># of loans</b>	<b>% of total #</b>	<b>\$ of loans(000)</b>	<b>% of total \$</b>
Inside AA	54	90%	\$755	86%
Outside AA	6	10%	\$121	14%
<b>Totals</b>	<b>60</b>	<b>100%</b>	<b>\$876</b>	<b>100%</b>

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

The bank has a satisfactory record of providing loans to borrowers of different incomes and businesses and farms of different sizes. We sampled the three primary loan products (agricultural, commercial, and consumer loans) to assess the bank's performance. The following is information on each sample.

### Agricultural Loans

OVFNB has a satisfactory record of lending to farms of different sizes. Our sample included 20 farm loans within the AA that were originated since the last CRA examination. The following table indicates that 16 of the loans in the sample or 80% were to farms with annual revenues less than \$250,000. This is slightly lower but comparable to the 1997 U.S. Census of Agricultural Data where 91% of farms had revenues of less than \$250,000. The Census data includes farms with revenues as low as \$1,000, which inflates the volume of farms. The farms with revenues of \$1,000 do not typically have borrowing needs. The other two revenue categories were comparable to the Census data.

<b>LOANS TO FARMS OF DIFFERENT SIZES</b>					
<b>Gross Revenue of Farms</b>	<b># of loans</b>	<b>% of total #</b>	<b>\$ of loans (000)</b>	<b>% of total \$</b>	<b>% of farms in AA</b>
< \$250,000	16	80%	\$260	70%	91%
\$250,001 - \$499,000	3	15%	\$36	10%	6%
> \$500,000	1	5%	\$74	20%	3%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$370</b>	<b>100%</b>	<b>100%</b>

### Commercial Loans

OVFNB has a satisfactory record of lending to businesses of different sizes. Our sample included 20 loans within the AA that were originated since the last CRA examination. The

following table indicates that 18 of the loans in the sample or 90% were to businesses with annual revenues less than \$1 million. This is comparable to the U.S. Census data. The dollar volume percentage is not as favorable, with the percentages differing from the U.S. Census data. However, using the percentage from the dollar amount of loans originated is not a good comparison, as borrowers with higher revenues tend to require significantly larger loans.

<b>LOANS TO BUSINESSES OF DIFFERENT SIZES</b>					
<b>Gross Revenue</b>	<b># of loans</b>	<b>% of total #</b>	<b>\$ of loans (000)</b>	<b>% of total \$</b>	<b>% of businesses in AA</b>
< \$1 million	18	90%	\$467	74%	93%
> \$1 million	2	10%	\$166	26%	7%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$633</b>	<b>100%</b>	<b>100%</b>

### Consumer Loans

OVFNB has a satisfactory record of providing consumer loans to borrowers of different income levels. Our sample included 20 consumer loans originated since the last CRA examination to borrowers located inside the AA. The following table indicates that the bank exceeded the low- and moderate-income household demographics.

<b>CONSUMER LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS</b>					
<b>Income Level</b>	<b># of loans</b>	<b>% of total #</b>	<b>\$ of loans (000)</b>	<b>% of total \$</b>	<b>% of households in the AA</b>
Low	10	50%	\$30	33%	31%
Moderate	4	20%	\$20	22%	16%
Middle	2	10%	\$22	24%	23%
Upper	4	20%	\$19	21%	30%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$91</b>	<b>100%</b>	<b>100%</b>

### **Geographic Distribution of Loans**

A geographic distribution analysis of the bank's AA was completed because the bank includes a moderate-income BNA (9501) in the AA. This review included a sample of agricultural, commercial, and consumer loans. All of the loans in the sample were made to individuals within the AA and were originated since the last CRA examination.

OVFNB has an adequate record of providing loans to farms, businesses, and individuals throughout the AA. The following tables show the number, dollar volume, and corresponding percentages for each product sampled.

### Agricultural Loans

The agricultural loan sample indicates reasonable dispersion between the two BNAs. The lending volume from the sample actually exceeds the percentage of farms in the moderate-income BNA. This is because BNA 9501 (moderate-income) is a much larger and primarily rural area, and it is reasonable to assume that agricultural lending would be higher in this area.

<b>AGRICULTURAL LOAN GEOGRAPHIC DISTRIBUTION SAMPLE</b>					
<b>BNA Tracts</b>	<b># of loans</b>	<b>% of total #</b>	<b>\$ of loans (000)</b>	<b>% of total \$</b>	<b>% of Farms in AA</b>
Moderate-Income (9501)	17	85%	\$290	90%	72%
Middle-Income (9502)	3	15%	\$34	10%	28%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$324</b>	<b>100%</b>	<b>100%</b>

### Commercial Loans

OVFNB has a reasonable dispersion of commercial loans throughout the AA. The sample is comparable by number and dollar to the percentage of businesses in each BNA.

<b>COMMERCIAL LOAN GEOGRAPHIC DISTRIBUTION SAMPLE</b>					
<b>BNA Tracts</b>	<b># of loans</b>	<b>% of total #</b>	<b>\$ of loans</b>	<b>% of total \$</b>	<b>% of AA Businesses</b>
Moderate-Income (9501)	6	30%	\$94	26%	30%
Middle-Income (9502)	14	70%	\$273	74%	70%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$367</b>	<b>100%</b>	<b>100%</b>

### Consumer Loans

The bank has a reasonable dispersion of consumer loans throughout the AA. The following table indicates that lending by dollar and number are comparable to the volume of households in each BNA.

<b>CONSUMER LOAN GEOGRAPHIC DISTRIBUTION SAMPLE</b>					
<b>BNA Tracts</b>	<b># of loans</b>	<b>% of total #</b>	<b>\$ of loans (000)</b>	<b>% of total \$</b>	<b>% of AA Households</b>
Moderate-Income (9501)	10	50%	\$49	43%	45%
Middle-Income (9502)	10	50%	\$66	57%	55%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$115</b>	<b>100%</b>	<b>100%</b>

### **Responses to Complaints**

The Office of the Comptroller of the Currency (OCC) and the bank have not received any complaints regarding the bank's CRA performance since the June 22, 1998 CRA examination.

## **Fair Lending Review**

An analysis of 1998, 1999, 2000, 2001 and 2002 public comments and consumer complaints was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.