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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**February 12, 1998**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**The Overland National Bank of Grand Island  
Charter Number 14018**

**304 West 3rd Street  
Grand Island, Nebraska 68801**

**Supervisory Agency: Office of the Comptroller of the Currency  
Omaha South Field Office  
11606 Nicholas Street, Suite 201  
Omaha, Nebraska 68154-4410**

**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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## GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

**Assessment Area (AA)** - The geographic area which an institution selects as the community within which its regulator will assess the institution's record of CRA performance. Generally, an urban assessment area will not extend beyond the boundaries of a MSA. A rural assessment area may contain one or more neighboring counties.

**Census Tract (CT) and Block Numbering Area (BNA)** - Small, locally defined statistical areas within an MSA, determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT or BNA has defined boundaries per the ten-year census and an average population of 4,000.

**Community Development Loan** - A loan which has as its *primary* purpose community development. Community development loans specifically exclude loans which have been reported under the Home Mortgage Disclosure Act or as small loans to businesses and farms, except for multi-family rental housing loans which can be reported under both categories.

**Community Development Service** - A service that has community development as its *primary* purpose and is related to the provision of financial services.

**Community Development Purpose** - A community development purpose is defined per 12 C.F.R. § 25.12(h) as affordable housing (including multi-family rental housing) for low- and moderate-income (LMI) individuals; community services targeted to LMI individuals; activities that promote economic development by financing businesses or farms that meet size eligibility standards of 13 C.F.R. § 121.802(a)(2) or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize LMI geographies.

**Community Reinvestment Act** - A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs of the institution's local community. (This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. § 2901, as amended, and 12 C.F.R. § 25, as amended.)

**Income Levels** - These relate to individuals, families, or the BNAs or CTs in a bank's assessment area.

**Low** = An income level that is less than 50% of the median income.

**Moderate** = An income level that is at least 50% and less than 80% of the median income.

**LMI** = An income level that is less than 80% of the median income.

**Middle** = An income level that is at least 80% and less than 120% of the median income.

**Upper** = An income level that is 120% or more of the median income.

**Median Family Income** - The median family income for a specific MSA as determined by the United States Census Bureau. The Department of Housing and Urban Development (HUD) updates this figure annually using an estimated inflation factor.

**The Overland National Bank of Grand Island** - ONB.

**Qualified Investment** - A lawful investment that has as its *primary* purpose community development.

**Small Business or Small Farm** - A business or farm that has \$1 million or less in gross annual revenues.

**Small Loan to a Business or Farm** - A loan of \$1 million or less to a business of any size or a loan of \$500 thousand or less to a farm of any size.

## **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 Overland National Bank of Grand Island (ONB), Grand Island, Nebraska** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **February 12, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. § 25.

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

We rate ONB's CRA performance "Satisfactory" because:

- The distribution of lending among business and farm borrowers of different revenue levels showed good penetration in view of the area's demographic makeup.
- The bank exhibited a strong commitment to meeting the credit needs of the smallest businesses and farms in the assessment area.
- ONB originated a substantial majority of its business and 1-4 family real estate loans within its assessment area.
- ONB provided a relatively high level of community development services.
- Retail delivery systems and community development services were reasonably accessible to all portions of the bank's assessment area.

The table on the following page indicates the performance level of **ONB** with respect to the Lending, Investment and Service Tests.

Performance Levels	The Overland National Bank of Grand Island Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	<b>X</b>		<b>X</b>
Low Satisfactory		<b>X</b>	
Needs To Improve			
Substantial Noncompliance			

\*Note: The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

ONB’s prior Performance Evaluation was dated June 5, 1995 and the rating was “Outstanding Record of Meeting Community Credit Needs.” The current evaluation covers lending, investment, and service activities since June 1995.

### **SCOPE OF EXAMINATION**

We examined ONB using the Lending, Investment, and Services Tests for large banks pursuant to the revised CRA regulation. These tests assess the bank’s record of helping to meet community credit needs. We analyzed the bank’s small business, agricultural, mortgage, and community development lending on the basis of responsiveness to credit needs in the assessment area, distribution to borrowers of different income levels and businesses of different sizes, geographic distribution, and to the extent to which the bank uses flexible and innovative lending products to meet community credit needs. Under the Investment Test, financial institutions are evaluated on the level of qualified investments, particularly those not routinely provided by private investors; the extent to which qualified investments are considered innovative or complex; and the responsiveness of qualified investments to distribution and accessibility; the extent to which opening and closing branches has affected the accessibility of delivery systems, particularly in LMI geographies or to LMI individuals; the extent to which retail banking services are tailored to the needs of the assessment area, including LMI geographies or individuals; and the level of community services provided by the bank.

Under the Lending Test, we gave small business lending greater consideration than agricultural or mortgage lending because ONB’s primary lending focus is commercial credit. For all types of credit, we used data covering all of 1996 and 1997 which the bank collected and reported under the revised CRA regulation.

## **DESCRIPTION OF INSTITUTION**

ONB is a \$137 million full-service bank headquartered in Grand Island, Nebraska. It is the second largest financial institution in Hall County. The bank has five locations, including its main office in the central business district and two drive-in/walk-in facilities, one in northwest Grand Island and the other in the central part of the city. ONB opened Loan Production Offices in Wood River and Cairo, Nebraska during 1997. These towns are located in western and northern Hall County, respectively. ONB has installed thirteen automated teller machines (ATMs) within its assessment area. Refer to the "Retail Banking Services" paragraphs in the "Service Test" section of this evaluation for further details regarding availability of loan products by location and the distribution of ATMs.

ONB has the financial capacity to assist in meeting the community's credit needs. There are no legal or financial barriers which impede its efforts. For calendar year 1997, the bank had a net income of \$1,236 thousand and a return on average assets of 0.93%. The bank offers a full range of credit products including commercial, consumer, real estate, and agricultural loans. As of September 30, 1997, the bank's loan portfolio consisted of 39% commercial and commercial real estate; 36% consumer; 13% one- to four-family residential real estate; and 12% agricultural and agricultural real estate loans. The bank's loan-to-deposit ratio on that date was 66% and gross loans represented 56% of total assets.

First Commerce Bancshares, Inc., a \$2 billion multi-bank holding company, headquartered in Lincoln, Nebraska, is controlling owner of the bank. Through common ownership, ONB is affiliated with seven other banks and a mortgage company, all located in Nebraska.

## **DESCRIPTION OF ASSESSMENT AREA**

ONB's assessment area consists of all fourteen BNAs in Hall County, Nebraska. The 1990 census survey designated nine of the BNAs as middle-income (64%) and the remaining five BNAs as upper-income (36%).

According to the 1990 U.S. Census, the bank's assessment area had a population of 48,925. The assessment area contained 13,173 families, with income level designations of 14% low-, 17% moderate-, 24% middle-, and 45% upper-income. In addition, 14% of the population was over age 65 and 11% of households were below poverty level. The 1990 HUD nonMSA statewide median family income for Nebraska was \$27,623. In 1997, the updated HUD nonMSA statewide median family income was \$37,100. The updated figure was used to assess the bank's lending to borrowers of different income levels in this CRA performance evaluation.

The majority of the bank's business originates in Grand Island, where its main office is located. Grand Island, with a population of approximately 41,000, is the county seat of Hall County. It is located eight miles north of Interstate 80 and approximately 100 miles west of Lincoln, Nebraska, the state capital. Grand Island's economy is diversified and unemployment has been low for several years. December 1997 statistics from the Nebraska Department of Labor estimates an unemployment rate of 1.5% for this area of the state. The economy is less dependent on agriculture due to increasing manufacturing industries and regional medical facilities.

Major employers include Monfort, Inc. (meat processing), which employs 1,950 individuals and Saint Francis Medical Center, which employs 907. Chief Industries, Inc. (a diversified manufacturer), New Holland North America, Inc. (farm equipment manufacturer) and Ore-Ida Foods, Inc. employ between 500 and 900 workers each. Six other financial institutions headquartered in Hall County, as well as branches of six banks or savings institutions, provide robust competition for loans and deposits.

Table 1 shows the distribution of businesses and farms within ONB’s assessment area. A more detailed breakdown of farms by annual revenues is included in Table 7 of this evaluation.

<b>Table 1: Distribution of Businesses and Farms Within ONB’s Assessment Area by Sales Volume</b>				
<b>Revenues</b>	<b>Businesses</b>		<b>Farms</b>	
	<b>Number</b>	<b>%</b>	<b>Number</b>	<b>%</b>
<b>\$1 Million or Less</b>	1,301	67%	① 744	100%
<b>More Than \$1 Million</b>	178	9%	0	0%
<b>Not Reported</b>	465	24%	0	0%
<b>TOTAL</b>	1,944	100%	744	100%

Sources: Dun & Bradstreet, Inc. and 1992 Agriculture Census, U.S. Bureau of the Census

① 39 farms, or 5% of total farms in the assessment area, had gross revenues of \$500 thousand or more. It is not known how many of these farms had revenues greater than \$1 million.

The Grand Island, Nebraska Community Housing Study dated November 1995 outlined the shortage of modern, affordable housing in the area. Three of the four community contacts interviewed by bank regulators also indicated this need. Three of the four contacts were county or city officials familiar with housing in various locations throughout the county. Representatives from the Federal Deposit Insurance Corporation and the Comptroller of the Currency gathered this information through meetings with these contacts within the past twelve months.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

ONB's lending levels reflect good responsiveness to the assessment area's small business credit needs. The bank originated a good volume of small business loans in its assessment area and showed good penetration to businesses of different sizes. Although the volume of agricultural and 1-4 family real estate mortgage loans is less, the lending across income lines exceeds the demographics for these types of loans. ONB originated a significant portion of its small business and mortgages within its assessment area.

#### ***LENDING RESPONSIVENESS:***

The bank's net loan-to-deposit ratio averaged 69% over the last eleven quarters based on data the bank reported in its Consolidated Reports of Condition. During this same period, ONB's loan-to-deposit ratio ranked third among the six banks headquartered in Hall County. The ratios for these six banks averaged from 73% to 64%. Not reflected in ONB's loan-to-deposit ratio is the significant number of one- to four-family residential real estate loans originated and sold into the secondary market. From January 1996 through November 1997, the bank originated and sold 125 residential real estate loans totaling \$8,749,000.

We compared loan-to-deposit ratios when measuring general lending responsiveness because ONB is the only bank out of the six headquartered in the assessment area which is a loan data collector and reporter under CRA. We were able to use 1996 aggregate loan data reported by the local branches of three other banks **not headquartered** within the assessment area for another measure of ONB's lending responsiveness.

#### **Small Business Lending:**

The number and amount of small loans to businesses ONB made and purchased in the bank's assessment area in 1996 showed a good responsiveness to the credit needs of commercial borrowers. An analysis of 1996 aggregate small business loan data released by the Federal Financial Institutions Examination Council (FFIEC) showed ONB originated 32% (162) of all reported business loans in amounts less than \$1 million within the bank's assessment area. Among the four reporting financial institutions in the market with total local deposits of \$26 million or more, ONB reported the second highest volume of loans to small businesses in relation to local deposits of the financial institution. The leader among these four institutions is a small branch of a bank distant to the assessment area with few deposits, but was able to originate 70 commercial loans in 1996. (The FFIEC data only includes small business loan data for financial institutions with total assets of \$250 million or more or financial institutions of any size that are affiliates of bank holding companies with \$1 billion or more in total assets. FFIEC aggregate data was not yet available for 1997.)

Table 2 on the following page shows the number and dollar amount of small loans to businesses ONB originated or purchased within its assessment area in 1996 and 1997. It also shows the annual revenue size of the borrowers. As shown in the table, ONB's small business lending activity increased 7% from 1996 to 1997.

Business Revenues	% of Businesses ①	1996				1997			
		Number	%	Dollar (000)	%	Number	%	Dollar (000)	%
\$1 Million or Less	67%	134	83%	5,205	49%	147	85%	5,790	52%
Greater than \$1 Million	9%	28	17%	5,381	51%	26	15%	5,449	48%
<b>Total</b>	76%	162	100%	10,586	100%	173	100%	11,239	100%

Source: Bank Records, Dun & Bradstreet, Inc.

① This column presents Dun & Bradstreet, Inc.'s data on all businesses within the assessment area by revenue size. 24% of total businesses in the assessment area did not report revenue information.

**Distribution of Small Business Loans by Borrower Profile**

ONB showed good penetration among business customers of different revenue sizes. By number, ONB's distribution of loans to businesses of different sizes is considerably higher than both aggregate lender data and demographic data within ONB's assessment area. As shown in Table 2 for 1996, 83% of the number and 49% of the dollar amount of ONB's small loans to businesses were to businesses with revenues of \$1 million or less. In comparison, FFIEC 1996 aggregate small business loan data showed 66% of the number and 41% of the dollar amount of all reported small loans to businesses were to businesses with revenues of \$1 million or less. Also, demographic data shows 67% of total businesses in the assessment area report revenues of \$1 million or less. ONB showed a similar distribution of small loans to businesses in 1997.

The FFIEC 1996 aggregate small business loan data showed ONB compared closely to all lenders in the market when making small loans to businesses of any size. The reporting group of lenders made or purchased 89% of the number of its small loans in amounts of \$100 thousand or less while ONB made or purchased 88% in the same amount. The reporting group made or purchased 6% of the number of its small loans in amounts greater than \$100 thousand but less than or equal to \$250 thousand; ONB made or purchased 5% in these amounts. All lenders made or purchased 5% of the number of its small loans in amounts greater than \$250 thousand up to \$1 million while ONB made or purchased 7% in the same amount.

ONB exhibited a strong commitment to meeting the credit need for small dollar loans to the smallest businesses in the assessment area. Loan size generally correlates to the size of the business. In 1996, 94% of ONB's loans to businesses with annual revenues of \$1 million or less were in amounts of \$100 thousand or less. This percentage declined slightly in 1997 to 91%. Table 3 on the following page shows the distribution of ONB's small business loans within its assessment area by loan size for 1996 and 1997.

<b>Table 3: Distribution of Small Loans to Businesses With Gross Revenues of \$1 Million or Less</b>						
Loan Size	1996			1997		
	Number	%	Amount (000)	Number	%	Amount (000)
0 to \$10,000	37	28%	239	48	33%	326
\$10,001 to \$25,000	43	32%	807	42	29%	747
\$25,001 to \$50,000	31	23%	1,182	21	14%	760
\$50,001 to \$100,000	15	11%	1,143	22	15%	1,565
\$100,001 to \$250,000	5	4%	804	12	8%	1,782
\$250,001 to \$500,000	3	2%	1,030	2	1%	610
\$500,001 to \$1,000,000	0	0%	0	0	0%	0
<b>Total</b>	134	100%	5,205	147	100%	5,790

Source: Bank Records

Of particular note on Table 3 is the percentage of the bank's loans in amounts of \$25 thousand or less. In 1996, these smallest loans represented 60% of all small loans to businesses with revenues of \$1 million or less. In 1997, this percentage increased slightly to 62%.

***Distribution of Small Business Loans by Geography***

An analysis of the geographic distribution of ONB's small business loans is not meaningful as the bank's assessment area does not have any low- or moderate-income geographies.

ONB originated a significant percentage of its small loans to businesses within its assessment area. For 1996 and 1997, 80% of the number and 83% of the dollar volume of the bank's small loans to businesses were within its assessment area. An additional 12% of the number and 6% of the dollar volume of small loans to businesses were located in counties adjacent to the bank's assessment area.

**Home Mortgage Lending:**

The number and amount of ONB's mortgage loans within the bank's assessment area in 1996 and 1997 reflected adequate responsiveness to the credit needs of home buyers and homeowners. Combined, the bank originated more than 190 loans totaling \$10 million in 1996 and 1997. This level of lending is reasonable because other mortgage lenders within the assessment area aggressively service this segment of the market while ONB's primary lending focus is commercial credit. Table 4 on the following page shows the number and dollar amount of mortgage loans ONB originated within its assessment area for 1996 and 1997.

<b>Table 4: Home Mortgage Lending Activity Within ONB's Assessment Area</b>				
<b>Mortgage Loan Product</b>	<b>1996</b>		<b>1997</b>	
	<b>Number</b>	<b>\$ (000's)</b>	<b>Number</b>	<b>\$ (000's)</b>
<b>Home Purchase</b>	58	2,928	36	2,249
<b>Refinance</b>	37	2,506	35	2,035
<b>Home Improvement</b>	19	268	6	28
<b>TOTAL</b>	114	5,702	77	4,312

Source: Bank Records

**Distribution of Home Mortgage Loans by Borrower Profile**

ONB had a good distribution of home mortgage lending to borrowers of different income levels. We compared ONB's percentage of mortgage loans among borrowers of different income levels to demographic data on the percentage of families at each income level within the bank's assessment area.

During 1996 and 1997, the percentage of both the number and dollar amount of home mortgage loans ONB made to low-income borrowers met or exceeded demographic data. Performance was especially strong in 1996, when the percentage of ONB's mortgage loans to low-income borrowers represented 167% of demographics, while ONB's percentage of mortgage loans to moderate-income borrowers represented 124% of demographic data. The bank's percentage of the number and dollar amount of loans to middle- and upper-income borrowers was generally consistent with population demographics for these income groups over the evaluation period.

Table 5 shows the distribution of ONB’s home mortgage loans to borrowers of different income levels. For comparison purposes, it also shows the distribution of families within the bank’s assessment area by income level. For presentation purposes, we combined all mortgage loan products together.

<b>Table 5: One- to Four-Family Residential Real Estate Lending Activity by Borrower Income Level</b>									
<b>Borrower Income Level</b>	<b>% of Families in AA</b>	<b>1996</b>				<b>1997</b>			
		<b># of Loans</b>	<b>% of Loans by Number</b>	<b>\$(000's) of Loans</b>	<b>% of Loans by Dollar Volume</b>	<b># of Loans</b>	<b>% of Loans by Number</b>	<b>\$(000's) of Loans</b>	<b>% of Loans by Dollar Volume</b>
<b>Low</b>	6%	12	10%	374	7%	7	9%	308	7%
<b>Moderate</b>	17%	24	21%	589	10%	10	13%	389	9%
<b>Middle</b>	24%	27	24%	1,094	19%	18	23%	762	18%
<b>Upper</b>	45%	49	43%	3,520	62%	40	52%	2,851	66%
<b>Not Available</b>	0%	2	2%	125	2%	2	3%	2	0%
<b>Total</b>	92%	114	100%	5,702	100%	77	100%	4,312	100%

Sources: Bank Records and 1990 Census Data, U.S. Bureau of the Census

1,001 families in the ONB assessment area are below the poverty level. We adjusted the percentage of families who are low-income (14%) to exclude the families who are below the poverty level because it is highly unlikely they could afford to borrow. This resulted in approximately 6% of the low-income families (with incomes between 30% and 50% of the median) who could potentially become borrowers.

**Distribution of Home Mortgage Loans by Geography**

An analysis of the geographic distribution of ONB’s home mortgage loans is not meaningful as the bank’s assessment area does not have any low- or moderate-income geographies.

ONB originated a reasonable percentage of its mortgage loans within its assessment area. For 1996 and 1997, 73% of the number and 75% of the dollar volume of the bank’s home mortgage loans were within its assessment area. An additional 20% of the number and 17% of the dollar volume of mortgage loans were located in counties adjacent to the bank’s assessment area. ONB generates a considerable volume of mortgage loans from these counties because the bank’s office locations in Grand Island, Wood River, and Cairo, Nebraska are very close (5 miles or less) to the Hall County line on the eastern, western, and northern sides of the county, respectively.

**Small Farm Lending:**

The number and amount of small loans to farms ONB made and purchased in 1996 within its assessment area showed an adequate responsiveness to the credit needs of agricultural borrowers. Agricultural lending is not a primary product of the bank which is reasonable given that thirteen financial institutions, the Farm Credit System, and other private lenders serve the financial needs of farms in the assessment area. An analysis of 1996 aggregate small farm loan data released by the Federal Financial Institutions Council (FFIEC) showed ONB originated 29% of all reported farm loans in amounts less than \$1 million within the assessment area. Among the four reporting financial institutions in the market with total local deposits of \$26 million or more, ONB reported the third highest volume of loans to farms in relation to local deposits of the financial institution. (Similar to the small business loan data, the FFIEC data only includes small farm loan data for financial institutions with total assets of \$250 million or more or financial institutions of any size that are affiliates of bank holding companies with \$1 billion or more in total assets. FFIEC aggregate data was not yet available for 1997.)

Table 6 shows the number and dollar amount of small loans to farms ONB originated or purchased within its assessment area in 1996 and 1997. It also shows the annual revenue size of the farms. ONB's small farm lending within the assessment area increased a significant 70% from 1996 to 1997.

Farm Revenues	% of Farms ❶	1996				1997			
		Number	%	Dollar (000)	%	Number	%	Dollar (000)	%
\$1 Million or Less	100%	50	100%	1,865	100%	85	100%	2,434	100%
Greater than \$1 Million	0%	0	0%	0	0%	0	0%	0	0%
<b>Total</b>	100%	50	100%	1,865	100%	85	100%	2,434	100%

Source: Bank Records, 1992 Agriculture Census, U.S. Bureau of the Census.

❶ This column presents U.S. Bureau of the Census data on all farms within the assessment area by revenue size.

5% of all farms reported revenues of \$500 thousand or more. It is not known how many of these farms had revenues greater than \$1 million.

***Distribution of Small Farm Loans by Borrower Profile***

ONB's distribution of loans to farms of different sizes is consistent with or slightly better than demographic information and aggregate lender data. As shown in Table 6 for 1996, 100% of ONB's small loans to farms were to farms with revenues of \$1 million or less. In comparison, FFIEC 1996 aggregate small farm loan data showed 97% of the number and dollar amount of all reported small loans to farms were to farms with revenues of \$1 million or less. Also, demographics show 95% to 100% of total farms in the assessment area report revenues of \$1 million or less. ONB showed the same distribution of small loans to farms in 1997.

The FFIEC 1996 aggregate small farm loan data showed ONB compared favorably to all lenders in the market when making small loans to farms of any size. The reporting group of lenders made or purchased 85% of the number of its small loans in amounts of \$100 thousand or less while ONB made or purchased 92% in the same amount. The reporting group made or purchased 13% of the number of its small loans in amounts greater than

\$100 thousand but less than or equal to \$250 thousand; ONB made or purchased 8% in these amounts. All lenders made or purchased 2% of the number of its small loans in amounts greater than \$250 thousand up to \$1 million while ONB did not report any loans in these amounts.

ONB exhibited a strong commitment to meeting the credit need for small dollar loans to the smallest farms in the assessment area. Loan size generally correlates to the size of the farm. In 1996, 92% of ONB's loans to farms with annual revenues of \$1 million or less were in amounts of \$100 thousand or less. This percentage increased in 1997 to 96%.

Table 7 shows the distribution of ONB's small farm loans within its assessment area by loan size for 1996 and 1997. Loan size generally correlates to the size of the farm. For comparison purposes, it also shows the distribution of farms by gross annual sales. For example, the first line of data in the table shows that 21% of all farms in the assessment area had gross annual sales of \$10 thousand or less. In 1996, ONB originated 36% of its small loans to farms in amounts of \$10 thousand or less. ONB increased this percentage to 47% in 1997. Of particular note is the percentage of the bank's loans in amounts of \$25 thousand or less. In 1996, these smallest loans represented 62% of all small loans to farms with revenues of \$1 million or less. In 1997, this percentage increased significantly to 74%. Demographic data shows 36% of farms in the assessment area reported gross revenues of \$25 thousand or less.

Farm Size by Gross Annual Revenues	Demographics ❶		Loan Size - 1996			Loan Size - 1997		
	Number of Farms	%	Number	%	Amount (000)	Number	%	Amount (000)
0 to \$10,000	156	21%	18	36%	112	40	47%	230
\$10,001 to \$25,000	110	15%	13	26%	229	23	27%	417
\$25,001 to \$50,000	103	14%	7	14%	260	9	11%	336
\$50,001 to \$100,000	118	16%	8	16%	569	9	11%	726
\$100,001 to \$250,000	172	23%	4	8%	695	3	3%	425
\$250,001 to \$500,000	46	6%	0	0%	0	1	1%	300
\$500,001 to \$1,000,000	39	5%	0	0%	0	0	0%	0
<b>Total</b>	744	100%	50	100%	1,865	85	100%	2,434

Sources: Bank Records, 1992 Census of Agriculture, U.S. Bureau of the Census

❶ These columns present the U.S. Bureau of the Census' data on all farms within the assessment area by revenue size.

This number includes all farms within the assessment area with gross annual revenues greater than \$500 thousand, including those with revenues greater than \$1 million.

***Distribution of Small Farm Loans by Geography***

An analysis of the geographic distribution of ONB's small farm loans is not meaningful as the bank's assessment area does not have any low- or moderate-income geographies.

ONB originated a small percentage of its small loans to farms within its assessment area; however, a significant majority are within a 60-mile radius of the bank. For 1996 and 1997, 29% of the number and 26% of the dollar volume of the bank's small loans to farms were within its assessment area. An additional 59% of the number and 62% of the dollar volume of small loans to farms were located in counties adjacent to the bank's assessment area or within 60 miles of Grand Island. Factors that explain the wide distribution of small loans to farms include the location of ONB's offices very near to county lines (see Distribution of Home Mortgage Loans by Geography). Also, the bank purchases indirect loans from a farm equipment dealer that serves a large portion of central Nebraska.

### **Community Development Lending:**

ONB has not originated any community development loans during the assessment period. This is reasonable based on our review of community contacts and CRA Performance Evaluations of three other major lenders headquartered in Grand Island. These sources reveal that opportunities are present, but somewhat limited for this type of lending. The other financial institutions averaged one or two loans per year, mostly for the construction of individual dwellings sponsored by the Community Development Department of the City of Grand Island. One institution originated approximately one SBA 504 Program loan per year which uses the Nebraska Economic Development Corporation as the certified development company. A bank also provided community development financing for phase one of a large low- and moderate-income apartment complex in 1997.

Community development loans must meet the definition in the revised CRA regulation which states that such loans must have community development as their **primary** purpose. Community development loans specifically exclude loans which have been reported as HMDA, small farm or small business loans, except for multi-family rental housing loans which can be reported under both categories.

### **Flexible Loan Programs:**

The bank provides flexible micro-loan products through direct lending to individuals operating small commercial businesses. Loan officers will readily use the bank's Checking Plus open end credit plan when creating small short term lines of credit for inventory and other operating expenses. Their use of this product allows lending on a revolving basis with quantities generally smaller than specified by loan policy.

ONB uses flexible lending programs when serving its assessment area's credit needs. ONB uses Farm Services Agency and Small Business Administration programs to assist borrowers in obtaining financing with more flexible debt ratios and through guaranteed loan programs. The bank also participated in various federal programs that provide financing for home buyers, including Federal Housing Administration and Veterans Administration loan programs.

## **INVESTMENT TEST**

ONB made an adequate level of qualified community development investments or grants that benefit the bank's assessment area, based on the limited opportunities available. During the evaluation period, the bank made \$40 thousand in donations. This represents approximately 1.4% of ONB's net income on an annual basis. The donations adequately respond to community development needs in the bank's assessment area, as the donations were to organizations who focus on providing affordable housing and other community services to LMI individuals and families. None of the investments are considered innovative or complex and all are routinely provided by private investors.

## **SERVICE TEST**

### **Retail Banking Services:**

ONB's delivery systems are accessible to essentially all portions of the bank's assessment area. The bank has five locations, consisting of the main bank, two branches, and two loan and deposit production offices (LPO/DPOs); and 13 ATMs, including nine ATMs with 24-hour accessibility. The bank has a branch or an ATM in ten of the 14 BNAs in the bank's assessment area, which reasonably serves the assessment area's LMI population. 71% of the assessment area's low-income people and 73% of the assessment area's moderate-income people live in a BNA served by either a branch or ATM of ONB.

Hours of operation are reasonable, with the main bank open from 9:00 a.m. to 4:00 p.m., the branches open from 8:00 a.m. to 6:00 p.m., and the LPO/DPOs open from 8:00 a.m. to 5:00 pm., all Monday through Friday. In addition, both branches and the LPO/DPOs have Saturday hours from 8:00 a.m. to 12:00 p.m. Loan officers are also willing to make after-hours appointments with customers. The main bank and the LPO/DPOs offer all types of loan products. The State Street branch in northwest Grand Island offers residential real estate loans and most types of consumer loans. The Second Street branch in central Grand Island also offers consumer loans. All deposit products are offered at every location.

ONB uses several alternative banking systems to reach essentially all of its assessment area. In addition to the ATMs and LPO/DPOs described above, ONB has the following alternative banking systems:

- ▶ The Home Banking system allows customers to pay bills from their touch-tone telephone 24 hours a day, seven days a week.
- ▶ The Info-Line service provides account information for a customer's deposits and consumer loans, allows funds transfers between accounts, and describes current interest rates and the bank's office hours and locations. This service is also available 24 hours a day, seven days a week.
- ▶ ONB's Bank By Mail program allows customers to conduct transactions by mail, using postage paid envelopes supplied by the bank.

- ▶ The bank employs a bilingual teller, who can serve as an interpreter for the assessment area's significant Hispanic population.

ONB has not opened or closed any branches during the evaluation period. However, the bank opened its two LPO/DPOs during 1997. Both of these facilities are located in rural BNAs in the bank's assessment area.

### **Community Development Services:**

ONB provides a relatively high level of community development services. The bank's staff provides financial expertise to a variety of organizations serving the needs of LMI individuals. Examples of the community development services which ONB and its employees provide in the bank's assessment area include:

- ▶ A senior bank official serves on the Board of the Community Redevelopment Authority, which works to develop affordable housing for LMI people in Grand Island. This group is organizing the development of a new LMI-housing apartment complex in Grand Island. The first phase of the project has been completed, creating 60 new apartments for LMI people. The bank is currently working to put together financing for the second phase of the project, which will create an additional 72 LMI apartments.
- ▶ Another senior bank officer serves on the Board of the Community Humanitarian Resource Center. This organization operates a homeless shelter, providing food and housing for homeless people in the Grand Island area.
- ▶ A bank officer serves as a fund raiser for the local Habitat for Humanity, enabling it to pursue affordable housing projects for low- and moderate-income individuals in the bank's assessment area.
- ▶ A senior bank officer serves on the Board of the Heartland Area United Way, which provides funding to various social service agencies. These agencies provide health, education, and other safety net services to predominantly low- and moderate-income individuals in the Grand Island area.
- ▶ A bank employee is on the Board of Trustees of Central Catholic High School Foundation. He uses his financial expertise to help the Board provide tuition assistance to low- and moderate-income students to enable them to attend this local parochial high school.
- ▶ A bank employee assisted the Hall County Residence Council in obtaining grant money for picnic tables and swings to improve its single-parent HUD housing units.
- ▶ The bank offers Simply Free Checking, a free checking account with no activity fees or minimum balance requirements (after a \$100 opening deposit) that provides for unlimited check writing privileges. The bank also offers free government check cashing to both customers and noncustomers. These free banking services predominantly benefit low- and moderate-income individuals.

## **FAIR LENDING REVIEW**

We did not identify any substantive violations of the anti-discrimination laws and regulations (Equal Credit Opportunity Act and Fair Housing Act).

## **ADDITIONAL INFORMATION**

The Office of the Comptroller of the Currency (OCC) is the regulatory agency responsible for supervision. If you have questions, concerns, or issues, contact the agency at the following address:

Office of the Comptroller of the Currency  
Omaha Field Office  
11606 Nicholas Street, Suite 201  
Omaha, Nebraska 68154-4410