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Comptroller of the Currency  
Administrator of National Banks

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**PUBLIC DISCLOSURE**

**March 10, 1998**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**The Security National Bank of Sioux City  
Charter Number 3124**

**601 Pierce Street  
Sioux City, Iowa 51101**

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

<p><b>NOTE:</b> 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.</p>
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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.

**Census Tract (CT)** - Small, locally defined statistical areas within a MSA, determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per 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.

**Home Mortgage Disclosure Act (HMDA)** - A statute that requires certain mortgage lenders that do business or have banking offices in MSAs to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant(s), the amount of loan requested and its disposition (e.g made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. *(This is a generic description of the bank's requirements and not a legal explanation of the requirements contained in 12 U.S.C. 2801, as amended, and 12 C.F.R. 203, 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 updates this figure annually using an estimated inflation factor.

**Metropolitan Statistical Area (MSA)** - An area containing a city with a population of at least 50 thousand or an urbanized area with a population of at least 50 thousand and a total metropolitan population of at least 100 thousand. Generally, MSAs consist of one or more whole counties that have a high degree of interaction.

**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 LMI 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 Security National Bank of Sioux City, Iowa (SNB)** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **March 10, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This AA 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. Part 25.

**Institution's CRA Rating:** This institution is rated **"Satisfactory"**. The main factors contributing to SNB's rating were:

- SNB originated a substantial majority (82%) of its HMDA and small business loans within its AA.
- a good distribution of small business lending along with an adequate distribution of HMDA loans among census tracts of different income levels, including low- and moderate-income areas.
- an adequate distribution of loans to borrowers of different income levels and penetration to businesses and farms of different sizes.
- SNB has an adequate level of qualified investments given the limited opportunities available in its AA.
- Retail delivery systems are well distributed throughout its communities.

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

Performance Levels	The Security National Bank of Sioux City Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	X	
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.

### SCOPE OF EXAMINATION

We examined SNB 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 AA, 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 credit and community development needs in the AA. For the Service Test, we analyzed branch 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 AA, including LMI geographies or individuals; and the level of community services provided by the bank.

This evaluation covers the bank’s CRA performance from December 29, 1995, the date of the last CRA evaluation, to March 10, 1998. This institution is subject to the small business and small farm data collection requirements under 12 C.F.R. Part 25 since its total assets exceed \$250 million. Our evaluation of small business and small farm lending begins with calendar year 1996 since it was the first year such data was required to be collected and reported under the revised CRA regulation. The bank also assembles housing loan data under HMDA. Our analysis of SNB’s small business, small farm, and residential real estate lending covered all activity in 1996 and 1997.

## **DESCRIPTION OF INSTITUTION**

Security National Bank is a full-service financial institution headquartered in Sioux City, Iowa. It is a wholly owned subsidiary of Security National Corporation, a \$660 million multibank holding company, also located in Sioux City. Security National Corporation owns 5 commercial banks located in northwest Iowa and one bank in South Dakota, immediately adjacent to Sioux City. SNB's primary business focus is commercial loans, but the bank offers a full range of credit products including real estate, agricultural, and consumer loans. SNB has 3 branches, a detached motor bank facility and 9 automated teller machines, located in one properly defined AA. The OCC assigned a CRA rating of "Outstanding Record of Meeting Credit Needs" at the prior CRA evaluation dated December 29, 1995.

There are no known legal or financial impediments which would hamper SNB's ability to help meet the credit needs of its AA. On December 31, 1997, SNB had \$456 million in total assets. The bank's loan-to-deposit ratio on that date was 70% and gross loans represented 58% of total assets. The loan portfolio consisted of the following types of credit: 42% commercial and commercial real estate loans; 29% mortgage loans for one- to four-family residential real estate; 14% consumer loans; 9% agricultural loans; and 6% for all other purposes. For calendar year 1997, SNB had a net income of \$6.3 million and a return on average assets of 1.46%.

During our review of the Lending Test we gave equal weight to SNB's small business and HMDA loans. Management considers commercial lending to be SNB's primary focus as exhibited by the distribution of loans weighted towards commercial purposes. But, the bank's origination of a higher number of HMDA loans than commercial loans during the AA period also demonstrates a strong commitment to consumer real estate lending. We placed less weight on the bank's farm lending performance as it is a secondary product and to a large degree in support of the lending operations of affiliate banks located outside the AA.

## **ASSESSMENT AREA**

SNB's AA consists of the Sioux City Metropolitan Statistical Area (MSA) which contains 30 census tracts. This includes all of Woodbury County, Iowa and the four census tracts in Dakota County, Nebraska. SNB does not have any offices in Dakota County. The AA's population currently approximates 116,500. The 1990 U.S. Department of Housing and Urban Development MSA median family income for the Sioux City MSA was \$30,449. The updated estimated median family income levels for 1996 and 1997 were \$39,400 and \$41,700, respectively.

Nineteen commercial banks and a savings institution provide strong competition for banking services in the Sioux City MSA. The vast majority of these banks are full service financial institutions that help meet the credit needs of individuals and small businesses. As of June 30, 1997, SNB held a 23% market share of deposits which is the second largest in the MSA.

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**Community Reinvestment Act Performance Evaluation**The Security National Bank of Sioux City, Iowa

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Similarly situated competitors include the Sioux City branches of Norwest Bank, Iowa N.A. and Firststar Bank Iowa, N.A. with 26% and 12% of total deposits, respectively. First Federal Savings Bank of Siouxland is the only savings institution in the MSA with 13% of market deposits. Numerous other commercial lenders are in the area, without taking deposits. Competition for mortgage loans is especially fierce. In 1996 there were 119 lenders reporting mortgage loan originations within the bank's AA.

The Sioux City MSA's diversified economy has been favorable in recent years and has created a strong demand for labor and places pressure on the area's housing stock. The city is a shopping hub and regional medical center for many outlying communities. The immediate area has several large employers including Gateway 2000 and Iowa Beef Packers, each employing over 4,000. Other major companies include MCI Communications, MidAmerican Energy, Terra Industries and two large hospitals. Expansion by these organizations along with good national economic conditions have driven unemployment down to 2.7% at the end of 1997.

The following table shows demographic data for the bank's AA. The table shows income level of the Census Tract, the number of families by income level designation, percent of owner-occupied housing by family income level, and percent of population by income level from the 1990 census.

***Demographic Information***

ASSESSMENT AREA PROFILE: MSA #7720 SIOUX CITY, IA-NE						
DEMOGRAPHIC CHARACTERISTICS	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA*
Population	115,018					
Family Distribution	30,611	19%	19%	24%	38%	0%
Census Tracts	30	7%	20%	47%	23%	3%
Businesses (% of # in CT)	4,294	19%	17%	35%	25%	4%
Owner Occupied Housing (% of # in CT)	29,400	2%	16%	51%	31%	0%
Median Housing Value = \$41,028						
HUD Adjusted Median family Income for 1997 = \$41,700                      1996 = \$39,400						
Unemployment Rate = 3.8% - 2.7% in 1997						

Data Source: 1990 Census Data - U.S. Bureau of the Census; Dun and Bradstreet; Iowa Workforce Development

\*NA=No income designation.

These demographics were used to provide some insight into the opportunities available for different loan types among CTs and borrowers of different income levels. Other pertinent demographic information used in this analysis is discussed with the presentation of the bank's lending data in this Performance Evaluation.

We reviewed three contacts with government officials and community organizations plus the Sioux City, Iowa Consolidated Plan submitted by the City to the Department of Housing and Urban Development in 1995. These

sources indicated the primary financial services needed in the AA are: purchase/rehabilitation loans for LMI individuals and families, housing for large families, flexible first time home buyer loans, and rent assistance. Commonly cited commercial credit needs include small dollar working capital or start-up loans for small businesses.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS**

### **LENDING TEST**

SNB's lending activity reflects an adequate responsiveness to the Sioux City AA's HMDA, small business and small farm credit needs. The bank originated a good volume of HMDA and small business loans in its AA. It displayed an adequate penetration to HMDA borrowers of different income levels which was somewhat under the income demographics for the area. Distribution of small business loans among businesses with different revenues was not as effective with a weighting towards businesses with revenues over \$1 million. The distribution of business loans among geographies of different income levels is strong in low- and moderate-income census tracts. The distribution of HMDA loans among geographies of different income levels is slightly below housing demographics in low- and moderate-income geographies. These factors result in a "low satisfactory" rating for the Lending Test.

The following section reflects conclusions about SNB's overall lending performance for HMDA, and small business/small farm loan products based on the lending activity in the Sioux City AA.

#### ***HMDA Loans - Lending Activity***

SNB showed a good responsiveness to the credit needs of homeowners seeking to purchase homes or improve their dwellings. Table 1 shows the number and dollar amount of HMDA loans SNB reported in the Sioux City AA in 1996 and 1997. During this evaluation period SNB originated 237 home improvement loans totaling \$2.5 million. SNB's market share of this loan type during 1996 represented approximately 17%, by number, of all the home improvement loans lenders reported in the Sioux City AA. The number of home improvement loans SNB made was second in the AA with the leader originating approximately 20% of all home improvement loans.

SNB also originated 344 home purchase loans totaling \$23 million during 1996 and 1997. SNB's market share approximated 8% during 1996, by number, of all loans made by lenders for the purpose of home purchase. SNB ranked fourth in the AA for home purchase loans. The market leader in this category underwrote approximately 19% of all home purchase loans. The bank's portion of the AA's home refinance loans is not significant as it represented only 3% of the total refinance loans. Market share data for 1997 is not available.

**Community Reinvestment Act Performance Evaluation**

The Security National Bank of Sioux City, Iowa

HMDA PRODUCT	1996		1997		Combined 1996 and 1997	
	# of Loans	\$ (000's)	# of Loans	\$ (000's)	# of Loans	\$ (000's)
Home Purchase	153	9,691	191	13,475	344	23,166
Refinance	45	3,897	100	7,807	145	11,704
Home Improvement	127	1,376	110	1,119	237	2,495
Multifamily	2	418	0	0	2	418
<b>TOTAL</b>	<b>327</b>	<b>15,382</b>	<b>401</b>	<b>22,401</b>	<b>728</b>	<b>37,783</b>

Sources: Federal Financial Institutions Examination Council (FFIEC) HMDA Data (1996), Bank Records(1997)

SNB made a significant percentage of its HMDA loans within its AA. Based on 1996 and 1997 HMDA activity combined, the bank made 86% of these loans by number within its AA.

***Lending Activity-Small Business Loans:***

SNB's small business lending activity reflects adequate responsiveness to its AA's business credit needs. In 1996, the bank made 11%, by number, and 15%, by dollar volume, of the small business loans which all large financial institutions reported within the Sioux City AA. Large financial institutions include only those banks with \$250 million or more in total assets or who are part of a holding company with total assets of \$1 billion or more. For SNB's AA, there were 29 institutions that reported small business loans. SNB's small business loans represented the third highest number and dollar amount reported by these large financial institutions. The bank made a comparable volume of small business loans in both 1996 and 1997. Aggregate small business lending data is not yet available for all large financial institutions in the AA.

Table 2 shows the number and dollar volume of small business and small farm loans which SNB originated and purchased in 1996 and 1997. The bank's small farm lending is discussed later in this evaluation.

**Sioux City MSA:****Table 2**

PRODUCT LINE	1996		1997		Combined 1996 and 1997	
	# of Loans	\$ (000's)	# of Loans	\$ (000's)	# of Loans	\$ (000's)
Small Business	111	16,435	115	13,661	226	30,096
Small Farm	39	5,039	42	6,051	81	11,090
<b>TOTAL</b>	<b>150</b>	<b>21,474</b>	<b>157</b>	<b>19,712</b>	<b>307</b>	<b>41,186</b>

Data Source: Bank Records

SNB made a good percentage of its small business loans, by number, within its AA. For 1996 and 1997 combined, the bank made 75%, by number. It also extended a majority of the small business loan dollars, 58%, within its AA.

**Lending Activity - Small Farm Loans**

SNB originated and purchased a reasonable number of small farm loans considering its metropolitan AA. In 1996, the bank made 17% of the small farm loans, by number, and 30%, by dollar volume, which were originated in the Sioux City AA. This was the second highest number and dollar volume of small farm loans reported by large financial institutions. There were only nine lenders that reported small farm loans within this AA in 1996. SNB made a similar number and volume of small farm loans in 1997. Refer to Table 2 on the previous page for the actual numbers and dollar volume of loans made in 1996 and 1997.

The portion of SNB's small farm loans which were originated in the bank's AA is very low. For 1996 and 1997 combined, SNB made only 13%, by number, and 28%, by dollar volume, within the AA. However, the bank originated almost all of the loans outside the AA in nearby counties where SNB has affiliate banks.

Approximately 50% of these loans were purchased from affiliate banks and many represent portions of loans in excess of the affiliate banks' lending limit. Excluding the loans made in counties where SNB has affiliate banks, 91% of the remainder of the small farm loans originated within the bank's AA.

**HMDA Loans - Distribution by Borrower Income**

SNB's home purchase lending showed adequate penetration among borrowers of different income levels. As shown in Table 3, over this evaluation period, the bank made 6% of its home purchase loans to low-income borrowers and 21% to moderate-income borrowers. These percentages reasonably compared to the portion of families in the Sioux City AA which are designated LMI, considering that 10% of the families live with incomes below poverty.

Based on Aggregate HMDA data for 1996, SNB's percentage of all HMDA loans to LMI borrowers slightly exceeded the percentage made by the top ten HMDA reporters in the Sioux City AA. These reporters made on average 24% by number, of HMDA loans to LMI borrowers for 1996 while SNB made 26%.

Table 3 shows SNB's HMDA loan distribution, by product type, number and percentage, according to the income level of the borrower. It compares the percentage of loans SNB made to borrowers of different income levels with the percentage of families in the AA which are designated low-, moderate-, middle-, or upper-income. This provides some perspective on the potential lending opportunities to borrowers of different income levels. We focused on the number of HMDA loans rather than the dollar volume as it more clearly depicts the number of borrowers who have benefited from these loans. We considered the percentage of families who are living below poverty since it is unlikely they would have the financial capacity to repay a loan of this type.

**Distribution of HMDA Loans by Borrower Income Levels 1996 and 1997 combined Table 3**

Borrower Income Level	% Families in AA by Income Level*	Home Purchase		Refinance		Home Improvement	
		# of Loans	% by #	# of Loans	% by #	# of Loans	% by #
Low	19%	20	6%	3	2%	34	15%
Moderate	19%	72	21%	14	10%	41	17%
Middle	24%	85	25%	27	19%	81	34%
Upper	38%	162	47%	93	64%	81	34%
N/A	N/A	5	1%	8	5%	0	0%
<b>Total</b>	<b>100%</b>	<b>344</b>	<b>100%</b>	<b>145</b>	<b>100%</b>	<b>237</b>	<b>100%</b>

Data Source FFIEC 1996 and Bank Records

\*Families designated as being below Poverty = 10%

***Distribution by Borrower Characteristic - Small Business Loans***

SNB's distribution of small business loans reflects adequate penetration among businesses with revenues of different sizes given the bank's larger business focus. Table 4 reflects the bank's lending to businesses with revenues of \$1 million or less and over \$1 million. As shown, in 1996 and 1997, the bank made between 42 and 57% of its small business loans to smaller businesses, those with revenues of \$1 million or less. The new CRA regulation places more importance on loans which are made to these smaller businesses. The bank's portion of loans to smaller businesses was significantly lower than the aggregate percentage achieved by all other lenders that reported small business loans. In 1996, all other lenders made 63% of their loans to businesses with revenues of \$1 million or less compared to SNB's 42%. The aggregate percentage achieved by all other lenders also compares more favorably to the percentage of businesses in the AA which report revenues of \$1 million or less (71%) according to Dun and Bradstreet data. SNB significantly increased its portion of small business loans made to businesses with revenues of \$1 million or less in 1997, from 42% in 1996 to 57%. Aggregate small business loan information is not yet available for 1997.

**Sioux City MSA:**

**Table 4**

SMALL BUSINESS LOANS	% Businesses in AA	1996				1997			
		# of Loans	%	\$(000's)	%	# of Loans	%	\$(000's)	%
Revenues <= \$1 Million	71%	47	42%	5,914	36%	66	57%	6,407	47%
Revenues > \$1 Million	10%	61	55%	10,181	62%	47	41%	7,154	52%
Unknown Revenues	19%	3	3%	340	2%	2	2%	100	1%
<b>TOTAL</b>	<b>100%</b>	<b>111</b>	<b>100%</b>	<b>16,435</b>	<b>100%</b>	<b>115</b>	<b>100%</b>	<b>13,661</b>	<b>100%</b>

Data Source: Bank Records and Dun & Bradstreet

SNB made a smaller percentage of its small business loans in amounts of \$100 thousand or less compared to the percentage of loans all reporters made in this size category, 66% compared to 82%. This shows that SNB makes its small business loans in larger dollar amounts than other lenders in the market. For 1996, the SNB's average loan size for its small business loans was \$148 thousand compared to a \$103 thousand average loan size for all other large financial institutions. However, SNB's loan size was more comparable to its closest competitors whose average loan size for reported small business loans ranged between \$100 and \$140 thousand. SNB's market share of smaller dollar loans, those in amounts of \$100 thousand or less, was slightly less than its market share of all small business loan originations, 9% vs. 11%.

**Table 5**

**Sioux City MSA: 1996 Small Business Loans by Loan Size - Comparison of SNB to Large Financial Institutions, in Aggregate**

LOAN SIZE (in 000's)	ALL LARGE FINANCIAL INSTITUTIONS*		SNB		SNB's Portion of All Reported Loans (Market Share)
	# of Loans	% of Loans	# of Loans	% of Loans	
\$0 to <= \$100	703	76%	73	66%	9%
> \$100 to <= \$250	118	13%	20	18%	14%
> \$250 to \$1,000	105	11%	18	16%	15%
<b>TOTAL</b>	<b>926</b>	<b>100%</b>	<b>111</b>	<b>100%</b>	<b>11%</b>

Data Source: 1996 FFIEC Aggregate and Disclosure Statements and Bank Records

\*Excludes Security National Bank's Reported Loans.

The prior small business loan tables showed all small business loans the bank reported to businesses with revenues of any size. Table 6 further illustrates SNB's lending to smaller businesses, those with revenues of \$1 million or less, by loan size. It shows the number and dollar amount of SNB's loans to smaller businesses, by size category, for 1996 and 1997. For businesses with revenues of \$1 million or less, SNB made a significant percentage of its loans, 80 and 74%, in amounts of \$100 thousand or less. SNB's average loan size to businesses with revenues of \$1 million or less was approximately \$94 thousand over this time period. Data regarding the breakdown of small business loans by loan size to businesses for each of the three revenue categories--\$1 million or less, over \$1 million and unknown revenues--is not available for the reporters as a group.

**Table 6**

**Sioux City MSA: Small Business Loans - Distribution by Loan Size to Businesses with Revenues of \$1 Million or Less**

Loan Size (in 000's)	1996				1997			
	# of Loans	%	\$ (000's)	%	# of Loans	%	\$ (000's)	%
\$0 to <=\$100	37	80%	1,220	30%	49	74%	2,110	33%
>\$100 to <= \$250	4	9%	801	19%	12	18%	1,922	30%
>\$250 to \$1,000	5	11%	2,093	51%	5	8%	2,375	37%
<b>TOTALS</b>	<b>46</b>	<b>100%</b>	<b>4,114</b>	<b>100%</b>	<b>66</b>	<b>100%</b>	<b>6,407</b>	<b>100%</b>

Data Source: Bank Records

***Small Farm Loans - Distribution by Revenue and Loan Size:***

SNB made a much smaller percentage of its small farm loans to farms with revenues of \$1 million or less when compared to the percentage of farms in the AA with revenues of \$1 million or less. The bank made only 33% to 38% of its loans to farms with revenues of \$1 million or less while 95% of the farms in the AA have revenues of this size. SNB did slightly increase the percentage of its small farm loans which were made to farms with revenues of \$1 million or less in 1997, from 33% in 1996 to 38% in 1997. In 1996, SNB also made a significantly lower percentage of its loans to farms with revenues of \$1 million or less compared to all other lenders reporting small farms loans. Other lenders in aggregate, excluding SNB, made 95% of their small farm loans to farms with revenues of \$1 million or less. Aggregate lending data is not yet available for 1997.

Table 7 shows the bank's small farm lending distribution among farms with revenues of \$1 million or less and over \$1 million. It also shows the percentage of farms within the AA which report revenues of these sizes according to information compiled by Dun and Bradstreet.

Sioux City MSA:

**Table 7**

SMALL FARM LOANS	% Farms in AA	1996				1997			
		# of Loans	%	\$ (000's)	%	# of Loans	%	\$ (000's)	%
Revenues <= \$1 Million	95%	13	33%	288	6%	16	38%	566	9%
Revenues > \$1 Million	1%	26	67%	4,751	94%	26	62%	5,485	91%
Unknown Revenues	4%	0	0%	0	0%	0	0%	0	0%
<b>TOTAL</b>	<b>100%</b>	<b>39</b>	<b>100%</b>	<b>5,039</b>	<b>100%</b>	<b>42</b>	<b>100%</b>	<b>6,051</b>	<b>100%</b>

Data Source: Bank Records

In 1996, SNB made a much smaller portion of its small farm loans in small dollar amounts (\$0-\$100 thousand) than other large financial institutions in its AA. SNB made only 44% of its loans in this size category compared to 86% by other large financial institutions.

Sioux City MSA: 1996 Small Farm Loans by Loan Size - Comparison of SNB to Large Financial Institutions, in Aggregate **Table 8**

LOAN SIZE (in 000's)	ALL LARGE FINANCIAL INSTITUTIONS*		SNB		SNB's Portion of All Reported Loans (Market Share)
	# of Loans	% of Loans	# of Loans	% of Loans	
\$0 to <= \$100	167	86%	17	44%	9%
> \$100 to <= \$250	17	9%	16	41%	48%
> \$250 to \$1,000	9	5%	6	15%	40%
<b>TOTAL</b>	<b>193</b>	<b>100%</b>	<b>39</b>	<b>100%</b>	<b>17%</b>

Data Source: 1996 FFIEC Aggregate and Disclosure Statements and Bank Records

\*Excludes Security National Bank's Reported Loans.

The prior small farm loan tables showed all small farm loans the bank originated to businesses with revenues of any size. Table 9 further illustrates SNB's lending to smaller farms, those with revenues of \$1 million or less, by loan size. It shows the number and dollar amount of SNB's loans to smaller farms, by size category, for 1996 and 1997. For farms with revenues of \$1 million or less, SNB made a significant percentage of its loans, 92 and 94%, in amounts of \$100 thousand or less. SNB's average loan size to farms with revenues of \$1 million or less was approximately \$29 thousand over this time period. Data regarding the breakdown of small farm loans by loan size to farms for each of the three revenue categories--\$1 million or less, over \$1 million and unknown revenues--is not available for the reporters as a group.

**Sioux City MSA: Small Farm Loans - Distribution by Loan Size to Farms with Revenues of \$1 Million or Less Table 9**

Loan Size (in 000's)	1996				1997			
	# of Loans	%	\$ (000's)	%	# of Loans	%	\$ (000's)	%
\$0 to <=\$100	12	92%	158	55%	15	94%	436	77%
>\$100 to <= \$250	1	8%	130	45%	1	6%	130	23%
>\$250 to \$1,000	0	0%	0	0%	0	0%	0	0%
<b>TOTALS</b>	<b>13</b>	<b>100%</b>	<b>288</b>	<b>100%</b>	<b>16</b>	<b>100%</b>	<b>566</b>	<b>100%</b>

Data Source: Bank Records

***Geographic Distribution -HMDA Loans***

SNB had a satisfactory distribution of all HMDA loans in LMI geographies. For the evaluation period, SNB's percentage of all loan types matched or exceeded the percentage of owner-occupied housing located in low income areas. SNB's percentage of loan types was slightly under the level of owner-occupied housing located in moderate income areas for home purchase and improvement loans. Table 7 shows the distribution of HMDA loans by the CT income level. It also shows the percentage of the AA's owner-occupied housing to provide perspective regarding the lending opportunities in CTs of all income levels.

During 1996 SNB's HMDA lending performance in low- and moderate-income CT's was reasonable. Its proportionate market share of HMDA lending within these CT's was slightly below its overall market share for HMDA loans in all CT'S. SNB's lending, as measured by dividing its market share in LMI tracts to its market share in all tracts, was 95%. This was only two percentage points behind the leader and significantly better than two of the three other major lenders within the AA, who had measures of 85% and 76%.

**HMDA Loan distribution by CT Income Level - 1996 and 1997 Table 10**

CT Income Level	% Owner Occupied Housing in AA by CT	Home Purchase		Refinance		Home Improvement		Multi-Family	
		# of Loans	% by #	# of Loans	% by #	# of Loans	% by #	# of Loans	% by #
Low	2%	10	3%	4	3%	4	2%	1	50%
Moderate	16%	49	14%	10	7%	33	14%	0	0%
Middle	51%	163	47%	64	44%	107	45%	1	50%
Upper	31%	122	36%	67	46%	93	39%	0	0%
N/A	N/A	0	0%	0	0%	0	0%	0	0%
<b>Total</b>	<b>100%</b>	<b>344</b>	<b>100%</b>	<b>145</b>	<b>1</b>	<b>237</b>	<b>1</b>	<b>2</b>	<b>100%</b>

Data Source FFIEC 1996 and Bank Records

***Geographic Distribution - Small Business Loans***

SNB's small business lending showed strong penetration of census tracts of all income levels, including low- and moderate-income. The distribution of the bank's small business loans was well-represented in low-income tracts and was very strong in moderate-income CTs. The portion of the bank's small business loans which were originated in the AA generally met or significantly exceeded the overall ratio of businesses which are located in low- and moderate-income CTs. As shown in Table 11, the portion of SNB's small business lending attributed to low-income CTs increased from 1996 to 1997, in both numbers and dollar volume. Although the portion of small business lending in moderate-income CTs declined from 1996 to 1997, it continued to exceed the percentage of businesses which are located in moderate-income CTs.

Table 11 shows the bank's small business lending as it was distributed among CTs of different income levels in 1996 and 1997.

**Sioux City MSA: Small Business Loans - Geographic Distribution Table 11**

SMALL BUSINESS LOANS	% Businesses in AA by CT Income	1996				1997			
		# of Loans	%	\$(000's)	%	# of Loans	%	\$(000's)	%
Low	19%	19	17%	2,913	18%	30	26%	4,672	34%
Moderate	17%	32	29%	4,719	29%	24	21%	3,187	23%
Middle	35%	21	19%	3,647	22%	18	16%	2,776	20%
Upper	25%	24	22%	3,018	18%	30	26%	1,884	14%
NA	4%	15	13%	2,138	13%	13	11%	1,142	9%
<b>TOTAL</b>	<b>100%</b>	<b>111</b>	<b>100%</b>	<b>16,435</b>	<b>100%</b>	<b>115</b>	<b>100%</b>	<b>13,661</b>	<b>100%</b>

Data Source: Bank Records and Dun & Bradstreet

In addition, based on 1996 FFIEC aggregate small business lending data for all other large financial institution reporters in the Sioux City AA, the bank made 13% of all of the small business loans which were reported in low- and moderate-income CTs. SNB achieved a higher market share in low- and moderate-income CTs than its market share of all small business loan originations (11%).

***Geographic Distribution - Small Farm Loans***

SNB's distribution of small farm loans is reasonable among geographies of different income levels. SNB originated no loans in low-income tracts and only three loans totaling \$53M in moderate-income tracts during the assessment period. There are extremely limited opportunities to make small farm loans in low- and moderate-income CTs within this AA. Per Dun and Bradstreet data, there are only 12 farms attributed to low- and moderate-income CTs in the Sioux City MSA.

***Community Development Lending:***

SNB has a good level of community development loans in its AA. The bank originated three loans totaling \$1.6 million which qualify under the community development definition during the evaluation period. These loans are all within the Sioux City MSA. The loans under \$1 million are included in the small business lending tables on previous pages and are highlighted below.

The following describes the bank's community development lending efforts:

- A \$1.2 million Section 42 tax credit loan for the construction of the third phase of a multi-family rental housing project consisting of three 48-unit apartment buildings for low-income individuals. The bank also had a \$1.1 million loan outstanding from the prior evaluation period to fund the initial 48-unit apartment building. The project is located in an urban renewal area.
- A 25% participation in a housing development and construction loan for the development of 76 lots and affordable homes. The bank's share peaked at \$312 thousand. The homes were targeted for LMI individuals. The development is located in a moderate-income census tract.
- A \$140 thousand loan to purchase and remodel a group housing facility. The facility provides homes for LMI disabled individuals.

***Flexible Loan Programs:***

SNB uses several products with flexible loan terms to assist in meeting various credit needs in their community. SNB originated loans under several programs targeted to first-time home buyers, especially low- to moderate-income individuals, small businesses, and small farms. Each of the following programs has either lower down payments, subsidizes rates, or government guarantees which are beneficial to low- or moderate- income individuals, small businesses, or small farms.

- 70 loans totaling \$3.8 million under the Federal Housing Authority Programs.
- 35 loans totaling \$2.6 million under the Veteran Administration Loan Program.
- 26 loans totaling \$1.2 million under the Iowa Finance Authority First Time Home Buyer Loan Program.
- 8 loans totaling \$335 thousand under the Sioux City Affordable Home Ownership Program.
- 6 loans totaling \$377 thousand under the Iowa Flex Mortgage Program.
- 2 loans totaling \$352 thousand under the Section 504 SBA Program. The bank has 6 other SBA loans with outstanding balances totaling \$723 thousand which the bank originated in a prior evaluation period.
- 1 loan totaling \$17 thousand under the Farmers Home Administration (FmHA) Loan Program. During April 1996 the bank renewed its FmHA Approved Lender status. The bank is the administrator for a \$9 thousand no interest loan under the Iowa Financial Incentive Program For Soil Erosion Control. The bank offers beginning farmer loans under the Iowa Agricultural Development Authority Beginning Farmer Program.

## **INVESTMENT TEST**

SNB provided an adequate level of qualified community development grants and donations within its AA. During this evaluation period, the bank provided \$289,862 in grants and donations to qualified community development organizations. This level of investment equates to .9% of average Tier 1 Capital. The types of grants and donations which the bank made are routinely provided privately and by other financial institutions in the area. Approximately 50% of this amount provided funding to an organization which serves to promote economic development through attracting new businesses to the Sioux City area. Other monies provided funding to organizations which provide services primarily for the low- and moderate-income population. Services provided include: emergency shelter, food and clothing, education, day care and recreational programs for underprivileged youths. Based on the bank's size, financial capacity, and opportunities within its AA, we assign a "low satisfactory" rating for the Investment Test.

## **SERVICE TEST**

SNB's delivery systems are accessible to essentially all portions of the Sioux City AA and are reasonably convenient to geographies of different income levels. The main headquarters building and its ATM plus a nearby detached motor bank branch are located in a low-income tract. These facilities or two other branch locations and their ATMs are within 2 to 7 blocks of six of the MSA's eight LMI CTs. Low cost public transportation is available to transport persons from the remaining LMI CTs to SNB facilities. The bank provides an adequate level of community development services in the communities it serves. None of the bank's community development services are innovative, but most are responsive to needs within the communities. Based on these factors, a "high satisfactory" is given to the Service Test.

**Retail Banking Services:**

SNB's delivery systems are accessible to its customers. The bank's facilities are reasonably convenient to geographies of different income levels. All of SNB's branch locations provide deposit services with extended hours in the walk-up or drive-in sections of each location. The Westside Branch which is near five LMI CTs is open until 8:00 P.M. each week night, until 4:00 on Saturdays and from 12:00 P.M. until 4:00 P.M. on Sundays. Personal loans are available in all of the branches. SNB also offers mortgage loan services by appointment in all of the branches. The main office provides all lending services and also offers after-hours appointments to customers who cannot conduct banking business during regular banking hours.

The main bank and three branch facilities have Automated-Teller Machines (ATM). Other ATMs located in the city's two hospitals, airport and major retail centers bring the bank's total ATMs to nine. SNB provides 24 hour telephone banking services which allow customers access to select financial services including funds transfer capability, personal account and loan information. In 1997 the bank added bill paying to this call-in service. There have been no branch closings during this evaluation period.

Although the bank has no facilities in moderate-income CT's, this is mitigated by two branches, located in middle-income CTs, which provide reasonable access for residents of nearby LMI CTs. These include the Westside branch, located in a middle income CT, which is 3 blocks from a low-income CT and 8 blocks from a moderate-income CT. This branch, which is in a grocery store, is readily accessed by the city's bus lines and has extended business hours including Saturday and Sunday hours. The bank has a Hispanic speaking employee available to serve the large Hispanic population in the area. The North-side Branch, also located in a middle-income tract, is across the street from a moderate-income tract. The MSA's two low-income CTs are located in the central business district. Four of the MSA's six moderate-income CTs immediately surround the central business district.

**Community Reinvestment Act Performance Evaluation**  
The Security National Bank of Sioux City, Iowa

Income Level of CT	Percentage of CTs in MSA	Percentage of Population in CTs	Number of Facilities	Percentage of Facilities	Number of ATMs	Percentage of ATMs
Low	7%	4%	2	40%	2	22%
Moderate	20%	18%	0	0%	0	0%
Middle	47%	49%	2	40%	3	33%
Upper	23%	29%	1	20%	4	45%
NA	3%	0%	0	0%	0	0%
Total	100%	100%	5	100%	9	100%

***Community Development Services:***

SNB provides an adequate level of community development services. Community development services must relate to the provisions of financial services and meet the community development definition as defined in the new CRA regulation. Banking personnel lent their financial expertise to organizations engaged in community development.

The bank’s community development service activities include:

- A bank officer participates in loan committee credit decisions of a local economic development corporation. This corporation provides small businesses with start up funding through direct loans or by participating in SBA 504 loan program funding.
- Two bank officials provide financial and administrative expertise to the United Way of Siouxland. A majority of organizations receiving funds from United Way serve the needs of LMI individuals and families within the AA. One official serves on the allocation committee which determines the level of funding which agencies receive based on financial presentations. The second bank officer has chaired the annual finance campaign.
- A bank employee serves on the board of a local self-help agency which provides consumer credit counseling and first-time home buyer training services to predominately LMI individuals and families.
- Several other employees lend their financial expertise to numerous community organizations in fund raising efforts and appropriating funds for providing programs and services which benefit primarily LMI individuals. These services include: food and shelter for the homeless; shelter and counseling for battered women and their children; treatment and housing for troubled youth; low-income day care; and assistance for abused/disadvantaged children.

SNB also offers the following banking services in its AA which are beneficial to LMI individuals:

- a low-cost checking account with a minimum opening deposit requirement of \$100.
- free government check cashing for customers.

### **FAIR LENDING REVIEW**

Our fair lending review did not find any evidence of discrimination or disparate treatment of applicants. Our loan analysis included a review of the assistance provided all Hispanic denied applicants for loans to purchase owner-occupied residential real estate. We compared this group to twenty similarly situated LMI white borrowers. The loans were originated in 1997. We found assistance was similar for both groups. We did not identify any instances where the bank denied applicants which were similar to approved borrowers regardless of their race.

The bank's lending policy and procedures relating to fair lending are satisfactory. Policies and training discourage disparate treatment of applicants on any prohibited basis.

### **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 address below.

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