



PUBLIC DISCLOSURE

Date: April 13, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Iowa
Charter #13697
204 East Washington Street
Iowa City, Iowa 52244**

**Office of the Comptroller of the Currency
440 South LaSalle Street, Suite 2700
Chicago, Illinois 60605**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank Iowa (FNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **April 13, 1998**. This evaluation is based on information from the last CRA examination dated July 12, 1996 to the current examination dated April 13, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

A majority of FNB's loan originations are located within the bank's assessment area.

The bank's record of lending to borrowers of different income levels, including low- and moderate-income individuals, and in low- and moderate-income census tracts, is reasonable.

FNB's record of lending to small farms and small businesses within its assessment area is very good.

The following table indicates the performance level of **First National Bank, Iowa**, with respect to the lending, investment and service tests.

First National Bank Iowa			
Performance Levels	Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
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.

DESCRIPTION OF INSTITUTION

First National Bank Iowa (FNB) is a \$544 million bank headquartered in Iowa City, Iowa, in east central Iowa. The bank has four locations in Iowa City, three in Cedar Rapids (25 miles north); one in Coralville (one mile west); one in North Liberty (five miles northeast), and one in West Branch (10 miles east). It maintains 29 Automated Teller Machines (ATMs). Branches and ATMs are located throughout the area, including low- and moderate-income Census Tracts (CTs). The Cedar Rapids and West Branch locations were acquired when the bank merged with First National Bank, Cedar Rapids (founded in 1991), and West Branch State Bank (founded in 1875) in 1997. The bank's Trust and Asset Management division has in excess of \$750 million in assets under management, making it one of the largest trust companies in the state.

FNB is a wholly-owned subsidiary of First Financial Bancorporation (FFB). FFB stock is not listed and is not actively traded; some eight brokerage firms maintain public trading markets for the company's common stock. It is widely held, with the largest shareholder holding 6.1% of the company's stock.

The bank offers traditional banking services and a number of real estate, commercial, agricultural and consumer loan products. The loan portfolio mix is as follows: residential real estate 50.1%; commercial 29.1%; mixed multi-family/commercial 10.6%; consumer 6.8%, and agricultural 3.3%. Competition comes from a number of other commercial banks, thrifts and credit unions, and is considered active in this area.

Since the previous examination, the bank has maintained a loan-to-deposit ratio averaging 79.2%. Two similarly situated banks averaged 81.8% over the same period.

There are no financial conditions, legal constraints, or other factors that hinder the bank’s ability to help meet the credit needs of its assessment area (AA).

DESCRIPTION OF ASSESSMENT AREA:

The bank’s two AAs are comprised of 63 Census Tracts (CTs) in three counties in two AAs. Six are low-income, 10 are moderate-income, 36 are middle-income, 10 are upper-income and one is not identified by income level.

A *significant majority* of the bank’s loans are located within the AAs.

Lending Record In and Out of the Assessment Areas

Borrower	Inside AA				Outside AA			
	#	%	\$	%	#	%	\$	%
Residential	1,821	92.7%	\$189,923	93.1%	144	7.3%	\$14,020	6.9%
Business	802	97.0%	\$55,092	96.8%	25	3.0 %	\$1,852	3.2%
Farm	342	88.8 %	\$12,290	89.9%	43	11.2 %	\$1,382	10.1%
Total	2,965	93.3 %	\$257,305	93.7%	212	6.7 %	\$17,254	6.3%

RESPONSE TO COMPLAINTS

The bank has not received any complaints relative to its performance under CRA since the prior examination.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

We did not identify violations of any substantive provisions of the antidiscrimination laws and regulations during our examination.

IOWA CITY, IOWA ASSESSMENT AREA

Institution's CRA Rating: This institution is rated: *Satisfactory* within the Iowa City, Iowa MSA Assessment Area (AA).

The following table indicates the performance level of **First National Bank, Iowa**, with respect to the lending, investment and service tests.

First National Bank Iowa			
Performance Levels	Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
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.

I. PERFORMANCE CONTEXT

A. DESCRIPTION OF INSTITUTION

The bank has seven branches and 24 ATMs throughout the AA.

We made one community contact and reviewed two during our evaluation. The contact identified the following credit needs: affordable housing.

B. ASSESSMENT AREA

The AA includes 25 Census Tracts (CTs), of which three are low-income, five are moderate-income, 11 are middle-income and six are upper-income. The 1990 census median family income for 1990 is \$39,209. United States Government Housing and Urban Development (HUD) estimated 1996 median family income is \$51,796. The AA has a population of about 101,000 and 21,831 families. The family breakdown by income level is: 18.0% low-income; 18.3% moderate-income; 24.1% middle-income, and 39.6% upper-income.

Iowa City/Coralville/North Liberty are located in Johnson County in east central Iowa, approximately 110 miles east of Des Moines. The University of Iowa, with its large hospitals and

clinics complex, is the dominant industry and employer in the area. The university student population is some 27,000. Completion of construction of a major mall in Coralville should increase both retail sales and low- to moderate-income employment opportunities. Unemployment is currently low at 2.0%, but underemployment is a factor in the area due to the high education level of the population.

Housing demographics are not typical of other Iowa communities of similar size due to the heavy concentration of university students in the downtown/university campus area. The community's low- and moderate-income CTs are centered in this area, and include 47.3% of the city's rental housing. Just 8.89% of the owner-occupied housing units in Iowa City are located in the low- and moderate-income CTs, limiting HMDA-related lending opportunities. Median age of the housing stock is only 18 years, since a considerable number of smaller, older houses have been replaced during this period by multi-story commercial and rental housing units adjoining the campus. The median value of units is \$93,142 in low-income CTs and \$67,372 in moderate-income CTs.

As the larger multi-unit buildings have replaced most of the older single-family units, there are few remaining building sites or other opportunities available for additional residential or commercial development in the downtown low- and moderate-income CTs.

Residential growth is highest in the Coralville area, which includes one additional low-income CT. This area is largely undeveloped except for student housing, small farms and industrial areas, but is currently the site of high-cost residential development at the far south end of the CT. Iowa City is bounded by interstate highways and farmland, so development land is generally only available to the west. The median value of all housing stock in the AA is \$76,917.

The AA also includes an upper-income CT in Cedar County, Iowa. This CT includes the bank's West Branch location, 10 miles east of Iowa City. West Branch is a bedroom community for Iowa City.

The delineation of the AA meets all technical legal requirements.

II. LENDING/INVESTMENT/SERVICE TESTS

A. LENDING TEST

Overall Conclusion

FNB's lending levels for HMDA, small business/small farm, consumer, and community development loans reflect good responsiveness to community credit needs. The bank exhibits an adequate record of serving the credit needs of the most economically disadvantaged area of its AA, low-income individuals, and/or very small businesses or farms, consistent with safe and sound banking practices.

1. HMDA

Conclusion:

FNB's lending levels for HMDA reflect good responsiveness to community credit needs.

The bank exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas of its AA and low-income individuals, consistent with safe and sound banking practices.

HMDA ORIGINATIONS

Loan Type	1996		1997		1Q/1998	
	#	\$ 000s	#	\$ 000s	#	\$ 000s
Government Home Purchase	0	0	0	0	2	\$193
Conventional Home Purchase	352	\$34,816	399	\$39,079	72	\$7,268
Refinance	136	\$15,664	250	\$27,245	262	\$32,266
Home Improvement	114	\$1,374	110	\$1,568	25	\$427
Multi-Family	13	\$10,917	17	\$4,634	6	\$1,277
Totals	615	\$62,771	776	\$75,526	367	\$41,431

Geographic Distribution:

The bank's record of lending to low- and moderate-income CTS is good; 8.5% of loans by number and 10.5% by dollar compares with 8.8% owner-occupied housing in low- and moderate-income CTs. There were no CTs within the AA in which the bank had no HMDA lending activity.

Geographic Distribution

Income Level of CT	% of Owner-occupied Housing	1996-8			
		#	%	\$ 000s	%
Low-	1.5%	49	3.9%	\$6,966	5.0%
Moderate-	7.3%	84	6.6%	\$7,654	5.5%
Middle-	62.3%	704	55.4%	\$76,947	55.0%
Upper-	28.9%	433	34.1%	\$48,400	34.5%
Total	100.0%	1,270	100.0%	\$139,967	100.0%

Borrower Distribution:

The bank's record of lending to low- and moderate-income families is adequate; 25.6% of loans by number and 16.4% by dollar compares with low- and moderate-income families totaling 36.3%.

Borrower Distribution

Income Level of CT	% of Families	1996-8			
		#	%	\$ 000s	%
Low-	18.0%	106	6.4%	\$4,398	2.9%
Moderate-	18.3%	316	19.2%	\$19,985	13.3%
Middle-	24.1%	467	28.4%	\$37,135	24.8%
Upper-	39.6%	758	46.0%	\$88,557	59.0%
Total	100.0%	1,647	100.0%	\$150,075	100.0%

2. SMALL BUSINESS/SMALL FARM

Conclusion:

FNB's lending levels for small business/small farm loans reflect very good responsiveness to community credit needs.

The bank exhibits a very good record of serving the credit needs of the most economically disadvantaged area of its AA and/or very small businesses and farms, consistent with safe and sound banking practices.

Geographic Distribution:

Loans to Businesses with Revenues of \$1 Million or Less

Income Level of CT	% of CTS	1996-8			
		#	%	\$ 000s	%
Low-	11.5%	33	6.7%	\$1,063	4.9%
Moderate-	19.2%	117	23.8%	\$5,039	23.0%
Middle-	42.3%	241	49.1%	\$11,417	52.2%
Upper-	23.1%	100	20.4%	\$4,350	19.9%
Total	96.1%	491	100.0%	\$21,869	100.0%

Loans to Farms with Revenues of \$1 Million or Less

Income Level of CT	% of CTS	1996-8			
		#	%	\$ 000s	%
Low-	11.5%	9	2.8%	\$84	.8%
Moderate-	19.2%	6	1.8%	\$195	1.8%
Middle-	42.3%	215	66.0%	\$4,889	45.9%
Upper-	23.1%	96	29.4%	\$5,496	51.5%
Total	96.1%	326	100.0%	\$10,664	100.0%

The bank originated small business/small farm-reportable loans in all of the CTs in the AA during the evaluation period.

Borrower Distribution:

Loans to Businesses Based on Revenue Size of Business

Revenue Size	% of Businesses	1996-8			
		#	%	\$ 000s	%
≤ \$1 million	74.2%	491	81.0%	\$21,869	66.8%
> \$1 million	6.9%	115	19.0%	\$10,848	33.2%
Total	81.1% *	606	100.0%	\$32,717	100.0%

* 18.9% of total businesses did not report revenue information.

Loans to Farms Based on Revenue Size of Business

Revenue Size	% of Farms	1996-8			
		#	%	\$ 000s	%
≤ \$1 million	91.2%	326	97.6%	\$10,664	87.9%
> \$1 million	0%	8	2.4%	\$1,469	12.1%
Total	91.2% *	334	100.0%	\$12,133	100.0%

* 8.8% of total businesses did not report revenue information.

Loans to Businesses based on Loan Size

Loan size in 000s	1996-8			
	#	%	\$ 000s	%
≤ \$100	511	84.2%	\$11,874	35.8%
\$100 < and ≤ \$250	66	10.9%	\$9,337	28.1%
\$250 < and ≤ \$1,000	30	4.9%	\$12,006	36.1%
> \$1,000	0	0.0%	\$0	0.0%
Total	607	100.0%	\$33,217	100.0%

Loans to Farms based on Loan Size

Loan size in 000s	1996-8			
	#	%	\$ 000s	%
≤ \$100	299	91.2%	\$6,322	53.0%
\$100 < and ≤ \$250	22	6.7%	\$2,822	23.7%
\$250 < and ≤ \$1,000	7	2.1%	\$2,785	23.3%
> \$1,000	0	0.0%	\$0	0.0%
Total	328	100.0%	\$11,929	100.0%

3. COMMUNITY DEVELOPMENT LENDING ACTIVITY

Conclusion:

FNB has made a reasonably high level of community development loans.

The bank works with the Greater Iowa City Housing Fellowship on several fronts.

GICHF owns 43 scattered site rental units which are renovated and leased to low-income individuals or families. FNB completed the applications for \$150,000 in Federal Home Loan Bank affordable housing grants and provided \$715,000 in direct financing on favorable terms to complete 12 housing units. This brings to \$1.4 million FNB's investment in GICHF projects.

FNB provided financing at below-market rates for construction of two homes in the Village Green South development. Low-income individuals purchase the homes and lease the land (donated by the City) from GICFH. The bank provided end financing for one of the home's purchasers.

FNB originated 58 loans totaling some \$17,500 for rental deposits enabling low- and moderate-income individuals to gain access to rental property. The average loan amount is \$300.

Life Skills, Inc., provides in-home and community-based social services to at-risk children, disabled adults who live independently, mentally retarded children, housing location and housing skills clients and individuals who have suffered traumatic brain injuries. The executive director indicates 98% of the organization's clients are low- and moderate-income individuals. The bank provided operating funds to the agency.

FNB provides ongoing financing for the operation of Domestic Violence Intervention Services, which provides free emergency shelter, child care and counseling to women and children who are at-risk. The average client with two children stays in the shelter two months.

Emergency Housing Project is a homeless shelter providing work and life skills with the goal of returning clients to productive life. FNB provides a \$25,000 working capital line of credit to EHP.

4. PRODUCT INNOVATION

Conclusion:

FNB uses innovative and/or flexible lending practices in order to serve AA credit needs, including below-market interest rates, extended terms and telephone banking.

B. INVESTMENT TEST

Conclusion:

FNB has an adequate level of qualified community development investment grants.

The bank has donated funds to Habitat for Humanity, Domestic Violence Intervention Services, Life Skills, Lutheran Social Services, University of Iowa Small Business Development Corporation Fast Track Program, the Institute for Social and Economic Development and Iowa City Area Development Council.

C. SERVICE TEST

FNB has seven branches in the AA. There are two, including the main bank, or 28.6% in low-income CTs, one or 14.3% in moderate-income CTs, two or 28.6% in middle-income CTs, two or 28.6% in upper-income CTs. The bank has 27 ATMs in the AA. There are eight or 29.6% in low-income CTs, five or 18.5% in moderate-income CTs, nine or 33.3% in middle-income CTs, five or 18.5% in upper-income CTs.

Delivery systems are readily accessible to all portions of the bank's AA, including low- and moderate-income CTs.

The bank added one branch with the acquisition of the West Branch bank. No branches have closed since the last examination.

To the extent changes have been made, the bank's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income CTs and/or to low- and moderate-income individuals.

Services and business hours meet the needs of the AA.

FNB offers 24-hour telephone banking services through its *TeleFirst*® product.

The bank is a leader in providing community development services.

The bank assisted Greater Iowa City Housing Fellowship in applying for grants from the Federal Home Loan Bank for affordable housing.

Officers provide technical expertise to various organizations, including the Iowa City Area Development Group, the Emergency Housing Project, the Chamber Economic Development Committee, Iowa Valley Habitat for Humanity and Chamber of Commerce Small Business Development Center.

CEDAR RAPIDS, IOWA ASSESSMENT AREA

Institution's CRA Rating: This institution is rated: *Satisfactory* within the Cedar Rapids, Iowa MSA Assessment Area (AA).

The following table indicates the performance level of **First National Bank, Iowa**, with respect to the lending, investment and service tests.

First National Bank Iowa			
Performance Levels	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.

I. PERFORMANCE CONTEXT

A. DESCRIPTION OF INSTITUTION

The bank has three branches and three ATMs throughout the AA.

We made one community contacts during our evaluation. The contacts identified the following credit needs: affordable housing.

B. ASSESSMENT AREA

The AA includes 37 Census Tracts (CTs), of which three are low-income, five are moderate-income, 25 are middle-income, four are upper-income. The 1990 census median family income for 1990 is \$38,142. The HUD estimated 1996 median family income is \$50,700. The AA has a population of about 158,907 and 42,307 families. The family breakdown by income level is: 16.0% low-income; 18.4% moderate-income; 28.6% middle-income, and 37.0% upper-income.

Cedar Rapids is located in Linn County in east central Iowa, approximately 110 miles east of Des Moines and 25 miles north of Iowa City. It is the state's second largest city.

The city's economic profile has changed over the past few years from an emphasis on manufacturing jobs to gains in service, retail, construction, transportation and utility jobs. Unemployment is low at 3.0%.

The area's low- and moderate-income CTS are located along the Cedar River in the downtown/industrial area and an older residential area southwest of downtown. Just 9.0% of Cedar Rapids' owner-occupied housing and 20.86% of rental housing is located in these CTs, limiting HMDA-related lending opportunities there. The median age of the housing stock in these CTs is 48-49 years; 41.3% of boarded up units and 23.4% of the city's vacant units are located in the low- and moderate-income CTs. There are few viable opportunities to gentrify the older neighborhoods since the houses are in very poor condition and are interspersed among industrial and agricultural product processing plants. There is no residential property in the downtown area, which has seen considerable commercial redevelopment in the past few years.

The delineation of the AA meets all technical legal requirements.

II. LENDING/INVESTMENT/SERVICE TESTS

A. LENDING TEST

Overall Conclusion

FNB's lending levels for HMDA, small business/small farm, consumer, and community development loans reflect adequate responsiveness to community credit needs. The bank exhibits an adequate record of serving the credit needs of the most economically disadvantaged area of its AA, low-income individuals and/or very small businesses or farms, consistent with safe and sound banking practices.

1. HMDA

Conclusion:

FNB's lending levels for HMDA reflect adequate responsiveness to community credit needs.

The bank exhibits an adequate record of serving the credit needs of the most economically disadvantaged areas of its AA and low-income individuals, consistent with safe and sound banking practices.

HMDA ORIGINATIONS

Loan Type	1996		1997		YTD 1998	
	#	\$ 000s	#	\$ 000s	#	\$ 000s
Government Home Purchase	0	0	0	0	0	0
Conventional Home Purchase	77	\$6,108	199	\$18,475	47	\$5,389
Refinance	30	\$2,358	86	\$7,891	118	\$11,431
Home Improvement	59	\$634	49	\$621	9	\$94
Multi-Family	3	\$559	3	\$1,779	4	\$2,663
Totals	169	\$9,659	337	\$28,766	178	\$19,577

Geographic Distribution:

The bank's record of lending to low- and moderate-income CTs is adequate; 6.5% of loans by number and 3.1% by dollar compares with 8.5% owner-occupied housing in low- and moderate-income CTs. There were no CTs within the AA in which the bank had no HMDA lending activity.

Geographic Distribution

Income Level of CT	% of Owner-occupied Housing	1996-8			
		#	%	\$ 000s	%
Low-	1.2%	3	.5%	\$60	.1%
Moderate-	7.3%	33	6.0%	\$1,521	2.9%
Middle-	70.9%	303	55.0%	\$31,045	59.8%
Upper-	20.6%	212	38.5%	\$19,330	37.2%
Total	100.0%	551	100.00%	\$51,956	100.0%

Borrower Distribution:

The bank's record of lending to low- and moderate-income families is adequate; 27.9% of loans by number and 16.9% by dollar compares with low- and moderate-income families totaling 34.4%.

Borrower Distribution

Income Level of Borrower	% of Families	1997-8			
		#	%	\$ 000s	%
Low-	16.0%	59	8.7%	\$2,202	4.0%
Moderate-	18.4%	130	19.2%	\$7,029	12.9%
Middle-	28.6%	213	31.3%	\$15,351	28.2%
Upper-	37.0%	277	40.8%	\$29,960	54.9%
Total	100.0%	679	100.0%	\$54,542	100.0%

2. SMALL BUSINESS/SMALL FARM

Conclusion:

FNB's lending levels for small business/small farm loans reflect very good responsiveness to community credit needs.

The bank exhibits a very good record of serving the credit needs of the most economically disadvantaged area of its AA and/or very small businesses and farms, consistent with safe and sound banking practices.

Geographic Distribution:

Loans to Businesses with Revenues of \$1 Million or Less

Income Level of CT	% of CTs	1996-8			
		#	%	\$ 000s	%
Low-	8.1%	20	13.5%	\$3,193	23.1%
Moderate-	13.5%	18	12.2%	\$529	3.9%
Middle-	67.6%	81	54.7%	\$6,895	49.9%
Upper-	10.8%	29	19.6%	\$3,195	23.1%
Total	100.0%	148	100.0%	\$13,812	100.0%

Loans to Farms with Revenues of \$1 Million or Less

Income Level of CT	% of CTs	1996-8			
		#	%	\$ 000s	%
Low-	8.1%	0	0.0%	0	0.0%
Moderate-	13.5%	4	50.0%	102	65.0%
Middle-	67.6%	4	50.0%	55	35.0%
Upper-	10.8%	0	0.0%	0	0.0%
Total	100.0%	8	100.0%	157	100.0%

The bank originated small business/small farm-reportable loans in all of the CTs in the AA during the evaluation period.

Borrower Distribution:

Loans to Businesses Based on Revenue Size of Business

Revenue Size	% of Businesses	1996-8			
		#	%	\$ 000s	%
≤ \$1 million	67.7%	148	75.5%	\$13,812	61.7%
> \$1 million	10.3%	48	24.5%	\$8,563	38.3%
Total	78.0%*	196	100.0%	\$22,375	100.0%

* 22.0% of total businesses did not report revenue information.

Loans to Farms Based on Revenue Size of Business

Revenue Size	% of Farms	1996-8			
		#	%	\$ 000s	%
≤ \$1 million	91.8%	8	100.0%	\$157	100.0%
> \$1 million	.4%	0	100.0%	0	100.0%
Total	92.2%*	8	100.0%	\$157	100.0%

* 7.8% of total businesses did not report revenue information.

Loans to Businesses based on Loan Size

Loan size in 000s	1996-8			
	#	%	\$ 000s	%
≤ \$100	125	64.1%	\$3,538	15.9%
\$100 < and ≤ \$250	41	21.0%	\$6,076	27.3%
\$250 < and ≤ \$1,000	29	14.9%	\$12,687	56.8%
> \$1,000	0	0.0%	\$0	0.0%
Total	195	100.0%	\$22,301	100.0%

Loans to Farms based on Loan Size

Loan size in 000s	1996-8			
	#	%	\$ 000s	%
≤ \$100	8	100.0%	\$157	100.0%
\$100 < and ≤ \$250	0	0%	0	0%
\$250 < and ≤ \$1,000	0	0%	0	0%
> \$1,000	0	0%	0	0%
Total	8	100.0%	\$157	100.0%

3. COMMUNITY DEVELOPMENT LENDING ACTIVITY

Conclusion:

FNB has made a reasonably high level of community development loans.

Jane Boyd Community House is a nonprofit community house which furnishes education and recreation opportunities for low-income and minority youth in a low-income CT. The bank provided \$300,000 for capital improvements, to be repaid from fundraising efforts.

The bank has committed \$200,000 toward construction of the OSADA Project, a 67-unit housing project in a low-income CT. All residents must meet Metropolitan Area Housing Program (MAHP) income guidelines based on household size.

A \$500,000 letter of credit is committed for Cedar Valley Apartments, a 186-unit apartment complex for low-income families.

FNB has made four loans of approximately \$70,000 each for MAHP “Infill” projects. MAHP purchases and renovates homes which are resold to low- and moderate-income residents. It also carries a \$10,000 revolving line of credit for Infill projects.

The bank provided \$242,000 in financing for three group homes and offices for the Association for Retarded Citizens, which serves low-income handicapped individuals.

4. PRODUCT INNOVATION

Conclusion:

FNB uses innovative and/or flexible lending practices in order to serve assessment area credit needs, including below-market rates, extended terms and telephone banking.

B. INVESTMENT TEST

Conclusion:

FNB has an adequate level of qualified community development investment grants.

The bank made donations to the MAHP. It sponsors a home ownership class for prospective buyers who meet MAHP income guidelines.

C. SERVICE TEST

FNB has three branches in the AA. There are none or 0% in low-income CTs, two or 66.7% in moderate-income CTs, none or 0% in middle-income CTs, one or 33.3% in upper-income CTs. The bank has three ATMs in the AA. There are none or 0% in low-income CTs, two or 66.7% in moderate-income CTs, none or 0% in middle-income CTs, one or 33.3% in upper-income CTs.

Delivery systems are readily accessible to all portions of the bank’s AA, including low- and moderate-income CTs.

The bank added two branches with the acquisition of the Cedar Rapids bank, and opened an additional branch in an upper-income CT. It has closed no branches since the last examination.

To the extent changes have been made, the bank's record of opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income CTs and/or to low- and moderate-income individuals.

Services and business hours meet the needs of the AA.

FNB offers 24-hour telephone banking services through its *TeleFirst*® product.

The bank provides a reasonable level of community development services.

Officers provide expertise to various organizations including the MAHP Board and Homeownership Policy Council and Affordable Housing Commission Finance Committee. Mortgage originators assist with the MAHP homeownership counseling programs.