



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

June 22, 1998

Community Reinvestment Act Performance Evaluation

**OKEY-VERNON FIRST NATIONAL BANK
Charter Number 8725**

**701 Davis Street
Corning, Iowa 50841**

**Office of the Comptroller of the Currency
Omaha South Field Office
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154**

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

General Information

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

This document is an evaluation of the CRA performance of **Okey-Vernon First National Bank** prepared by The Office of the Comptroller of the Currency, as of June 22, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

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

Okey-Vernon First National Bank (OVFNB) meets the credit needs of its assessment area. The bank's lending efforts result in reasonable penetration of farms and businesses of different sizes. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area (AA). OVFNB makes a substantial majority of its loans to borrowers located within its assessment area.

Description of Institution

Okey-Vernon First National Bank (OVFNB) is a \$45 million financial institution located in southwest Iowa. The bank's main office is a full-service facility located in downtown Corning, Iowa. The bank also operates a branch facility in Prescott, Iowa and two automated teller machines (ATMs). The ATMs are located in the vestibule of the main office and a local gas/convenience store on the northeast corner of 6th & Davis in Corning. Whitmore Company Inc., a multi-bank holding company, owns 96 percent of OVFNB's bank stock. The holding company also owns 100% of the First Federal Savings Bank of Creston, F.S.B., Creston, IA and the Page County State Bank, Clarinda, IA with assets totaling \$94 million.

Farm and business loans comprise a majority of the bank's loan originations since January of 1996. The table below illustrates the bank's loan originations by type and original dollar amount from January 1, 1996 to May 31, 1998. As of March 31, 1998, the bank's loan portfolio totaled \$15 million.

Loan Originations by Number and Dollar Amount				
Type	Number	Percent	Dollar Amount (000)	Percent
Farm	988	53%	18,546	62%
Business	237	12%	7,066	24%
Consumer	523	28%	2,882	10%
Residential Real Estate	37	2%	1,452	4%
Student	91	5%	116	<1%
Total	1,876	100%	30,062	100%

OVFNB received a "Satisfactory" rating during the prior CRA examination. There are no legal or financial impediments which preclude the bank from its obligation under the CRA.

Description of Adams County

The bank's assessment area (AA) includes all of Adams County. The AA contains one moderate-income and one middle-income Block Numbering Areas (BNAs). The AA does not arbitrarily exclude any low- or moderate-income areas and meets the legal requirements of the CRA. The AA is primarily rural, but includes the communities of Corning, Carbon, Nodaway, and Prescott.

The population of the AA is 4,866 according to the 1990 Census. The largest community is Corning with a 1990 population of 1,806. Agricultural operations and related businesses contribute significantly to the local economy. Services and retail trade also contribute to the economic viability of the AA.

The 1998 statewide non-metropolitan median family income for Iowa is \$41,200. The 1990 Census categorizes the distribution of families by income level within the AA as 26% low-, 23% moderate-, 27% middle-, and 24% upper-income. The 1990 Census reports 1,411 families within the AA. The 1990 Census reports that 14 percent of the families report income under the poverty level (30% of the non-metro median family income or \$12,360).

The AA demographics include a declining population, a high unemployment rate, and a low per capita income. The AA's population declined 15 percent from 1980 to 1990 according to the U.S. Census. The population is estimated to decline another 5 percent from 1990 to 2000 according to the Iowa Department of Economic Development. The AA's unemployment rate is 8 percent, as compared to a rate of 3 percent for the State of Iowa. The AA's 1995 per capita income of \$14,911 ranked 93 out of 99 Iowa counties. And, the per capita income was 36 percent below the U.S. average according to the U.S. Bureau of Economic Analysis.

The AA's primary credit needs are loans for farm and small business purposes. A community member, contacted by bank examiners, stated that all local financial institutions actively participate in lending programs designed to help meet the AA credit needs.

Conclusions with Respect to Performance Criteria

OVFNB lends to farms and businesses of different sizes with special emphasis on small farms and businesses. The bank lends primarily to small farms and businesses due to the AA's demographics. The 1992 Census of Agriculture discloses that 98 percent of the farms within the AA report revenues less than \$500,000. The 1990 Census discloses that 91% of the businesses report revenues less than \$1 million.

The following table illustrates a sample of the bank's loan originations to farms of different sizes using gross revenue.

Farm Loan Distribution By Revenue			
Revenue	Number	Percent	1992 Ag Census
0 - \$249,999	31	76%	95%
\$250,000 - \$499,999	8	19%	3%
\$500+	2	5%	2%
Total	41	100%	100%

The following table summarizes the bank's lending to businesses of different sizes. We used the original loan amount as a proxy for business size. The table includes all business loan originations from January 1, 1996 to May 31, 1998 as reported by the bank. We verified the accuracy of the bank's data by reviewing a sample of loan originations and the bank's process to record the original loan amount.

Business Loan Distribution By Loan Size		
Loan Amount (000's)	Number	Percent
≤\$250	226	96%
>\$250 to \$1,000	8	3%
>\$1,000	3	1%
Total	237	100%

The bank originated a majority of its consumer loans from March 1, 1997 to June 23, 1998 to low- and moderate-income borrowers. Auto loans represented approximately 60 percent of the consumer loan originations from March of 1997 to June of 1998. A sample of 40 auto loan originations disclosed that 45 and 28 percent were made to low- and moderate-income borrowers, respectively. This compares favorably to the AA demographics based on the 1990 Census which discloses that 26 and 23 percent of the families reported low and moderate incomes.

The geographic distribution of loans reflects reasonable dispersion throughout the AA. OVFNB's AA includes one moderate-income and one middle-income area. From January 1, 1996 to May 31, 1998, OVFNB reports that 49 and 41 percent of the number and dollar amount of loan originations were made to borrowers located inside the one moderate-income area. The 1990 Census reports that 48 percent of the families within the AA live in the one moderate-income area. We verified the accuracy of the bank's geographic distribution report by reviewing a sample of loan originations and the bank's process to record a borrower's location.

OVFNB originates a substantial majority of its loans within its AA. From January 1, 1996 to May 31, 1998, the bank reports that 88 and 84 percent of the number and dollar amount of loan originations were made to borrowers located inside the AA. We verified this by reviewing a sample of loan originations and the bank's process to record a borrower's location.

OVFNB's loan-to-deposit (LTD) ratio is reasonable given its size, financial condition and AA demographics. The bank's LTD ratio was 38 percent as of March 31, 1998. Since March 31, 1995, the LTD ratio quarterly average was 34%. Since March 31, 1995, one similarly-situated bank reported an average LTD ratio of 28%. OVFNB's total loan outstandings have grown from \$11.9 to \$15 million or 26 percent from March 31, 1995 to March 31, 1998.

The AA demographics limit the bank's ability to maintain a higher LTD ratio. The AA's population has been declining since 1990. As mentioned previously, the 1990 population was 4,866 with an estimated Year 2000 population of 4,630 persons. The AA's unemployment rate is well above the State of Iowa rate. The AA has a significant level of families reporting income below the poverty level. The AA is also served by two other financial institutions with offices in Corning.

The bank complies with anti-discrimination laws and regulations. We did not identify any evidence of discrimination or other illegal credit practices. The bank has not received any written CRA-related complaints since the prior CRA exam.