



Comptroller of the Currency
Administrator of National Banks

Midwestern District
519 Kirkwood Avenue
Iowa City, Iowa 52240-4728

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

July 12, 1996

First National Bank, Iowa City, Iowa
Charter Number 13697
204 East Washington Street
Iowa City, Iowa 52240

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

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First National Bank, Iowa City, Iowa, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of July 12, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, grouped together under five performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated:

“Outstanding Record of Meeting Community Credit Needs.”

Executive Summary:

The basis for the rating is as follows:

- o First National Bank, Iowa City, Iowa, (FNB) is an active lender in the community. It is particularly active in residential real estate, including multi-family and affordable housing.
- o The bank lends throughout the entire delineated community. FNB actively promotes credit products in a variety of advertising media.
- o Officers and Directors of the bank are very active in the community. They participate in a number of activities which promote community development and redevelopment.

Community Profile:

Iowa City, the county seat of Johnson County, is located in east central Iowa. Its population according to the 1990 Census is 59,738, including 20,800 University of Iowa (U of I) students. Johnson County's population is 96,119. Median family income for Johnson County for 1995 is \$47,000. The county's major employer is U of I, with 21,000 employees. The U of I Hospitals and Clinics is a major regional medical center, drawing patients and family members from throughout the state.

The county also includes the communities of Hills, Lone Tree, Tiffin, Oxford, Swisher, Shueyville, Solon, North Liberty, University Heights and Coralville.

The income distribution of the county is as follows:

Income Levels	# Census Tracts	% of Families
Low	3	18
Moderate	5	19
Middle	11	24
Upper	5	39

Total	24	100
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Bank Profile:

First National Bank of Iowa City (FNB) is a \$398 million institution with five offices in Iowa City, Coralville and North Liberty, and 24 Automated Teller Machines (ATMs). The principal business focus is commercial and residential real estate lending. Competition comes from seven other county banks and a number of credit unions.

Assessment Factor K -- The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- o The bank meets community credit needs in a manner consistent with its size and financial condition. There are no constraints on the bank's ability to perform under CRA.

The bank supports projects promoting economic revitalization and growth, consistent with its size, financial capacity, and current economic condition. Bank officers and directors maintain good working relationships with government and private sector representatives to identify opportunities to address community development needs.

Reasonableness of Delineated Community

- o The bank's delineated community is reasonable, meets the purpose of CRA, and does not exclude any low- or moderate-income areas.

Management and the Board determined the bank's delineation through a review of lending and deposit activity. Management defines the bank's service area as Johnson County, Iowa.

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A -- Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- o Management ascertains the credit needs of the community through regular contacts with community groups and officials.

Senior management is actively involved in the community. Management and the Board of Directors maintain contact with a large range of community groups and officials through

membership in economic and civic organizations, including: Iowa City and Coralville Chambers of Commerce, Committee for Community Needs, Downtown Association, Greater Iowa City Housing Fellowship, and Iowa City Area Development Group. The bank's president serves as chairman of the Iowa City Area Development Group.

Assessment Factor A, continued:

Officers meet regularly with the Iowa City planning staff, the Iowa City Community Development

Coordinator, the Rehab Housing Coordinator, first time home buyer groups, and the Comprehensive Housing Affordability Strategy (CHAS) committee. Officers participated in a roundtable discussion with area builders, developers, city officials, engineers and Realtors to develop strategies for affordable housing.

Community contacts identify affordable housing as a primary need in the county. Median monthly rent in the county is \$412, compared to the state-wide median rent of \$261. The median value of owner-occupied housing in the county is \$73,700. This compares with the state-wide median value of \$45,900. Through involvement with community groups, the bank developed innovative lending products to meet these needs. See Assessment Factors I, J and H for additional information.

Assessment Factor C -- The extent of participation by the institution's Board of Directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- o The Board actively participates in CRA oversight.

The bank's Board of Directors is very active in promoting community involvement, as indicated by the bank's Mission Statement and the Board members' personal level of involvement in community development activities. The bank's outstanding performance reflects the direction the Board provides.

The Board reviews the CRA statement, the Home Mortgage Disclosure Act report and lending activity on an annual basis. They further review and approve all programs designed to meet community needs.

Management ensures CRA training and technical requirements are met. We found no violations of the CRA regulation at this examination.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B -- The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- o The bank's marketing program effectively informs all segments of the community about the availability of specific credit products.

The bank's marketing program is extensive. FNB actively advertises loans for home equity, manufactured housing, consumer purposes, residential construction, and permanent financing, credit cards and other credit products in a number of local and area newspapers and shopper publications. FNB also employs statement stuffers, direct mail, door hangers, special-interest publications and flyers.

Assessment Factor B, continued:

The bank sponsors two weekly radio shows and uses advertising time to promote bank products and accessibility of bank locations. It also advertises on all other available area radio stations.

Bank personnel meet on an ongoing basis with residents of two subsidized housing projects (Pheasant Ridge and Broadway) through Neighborhood Center of Johnson County to discuss area residents' financial needs. Officers determined a need for basic financial education, and developed training sessions on deposit products, personal budgeting and use of credit. They also counsel one-on-one with residents on personal credit needs.

FNB actively markets its services among area real estate agents. Officers make personal calls, and attend Iowa City Area Association of Realtors meetings to increase their contacts. They conducted a series of continuing education seminars for area real estate agents, and participated in first time home buyer classes at Kirkwood Community College. The bank's First Welcome Coordinator cultivates relationships with employers and real estate agents who can provide names of newcomers to the community. The bank mails the newcomer a packet of information on bank services and community information customized to his or her needs.

The bank sponsored a free "Growing Your Business" workshop conducted by the Institute for Social and Economic Development (ISED) funded by the United States Department of Health and Human Services. A FNB commercial lender spoke on financing and alternatives for expanding small business, and an accountant spoke on business ownership and tax issues. The bank funded four loans to ISED referrals as part of their guaranteed loan program.

FNB cooperates with the Iowa Small Business Development Center at the University of Iowa. They have met to discuss credit assistance and enhancement programs, and contributed funds to the "Premier FastTrac II" training program for small business owners and managers.

A bank officer spoke to the graduating class of the U of I Dental College on purchasing and financing a dental practice and managing personal finances. Another spoke on credit to the Women's Financial Information Program co-sponsored by Iowa State University Extension, Kirkwood Community College and the American Association of Retired Persons.

An officer participated in a presentation on sources of capital and business start-up sponsored by the Small Business Administration (SBA).

Assessment Factor I -- The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- o The bank has an outstanding record of originating a variety of loan types within the community.

Assessment Factor I, continued:

The bank's loan-to-deposit ratio as of March 31, 1996, is 72 percent, comparable to the seven other Johnson County banks, which average 71 percent. As of March 31, 1996, residential real estate loans (one-to-four family and multi-family) comprised 60 percent of the bank's loan portfolio. FNB is also very active in the secondary market for residential real estate loans, originating 383 loans totaling \$44,179,739 from January 1995 to June 1996.

Since January, 1995, the bank has originated the following loan volume:

	1/1/95-12/31/95		1/1/96-6/24/96	
	# of Loans	\$ Volume	# of Loans	\$ Volume
Small Business	356	26,279,339	143	13,363,275
Small Farm	144	2,277,524	84	1,996,793
Residential R/E*	523	59,296,448	376	39,349,356
Mobile Home	7	73,989	6	105,697

* Includes in-house, secondary market, private mortgage insurance and community homebuyer program loans.

The bank also approved loans to not-for-profit community groups to develop affordable housing and to assist low-income individuals in qualifying for rental units:

- o It served as lead bank for eight affordable housing loans totaling \$399,050 through the Greater Iowa City Housing Fellowship (GICHF). This brings the bank's individual exposure to 10 loans totaling \$277,000. The units are rented to low-income families. FNB also committed \$194,000 in construction loans for three homes which will be sold to low- and moderate-income families who might not otherwise qualify for homeownership.
- o Through a Security Deposit loan program with GICHF, the bank offers zero-interest, one-year loans to assist low-income families with expenses associated with moving

to clean, affordable rental properties. The 87 loans generated since January 1, 1995 total \$25,338, or an average of \$291. Since the program's inception, the bank has assisted more than 150 families.

- o FNB offered a \$285,000 loan to the River City Housing Collective to enable it to provide affordable housing for 16 additional residents.

Assessment Factor J-- The institution's participation in government-insured, guaranteed, or subsidized loan programs for housing, small businesses, or agriculture.

- o The bank has a good record of participation in government-affiliated programs.
- Assessment Factor J, continued:

In addition to the loans listed in Assessment Factor I, the bank originated loans in conjunction with the Small Business Administration (SBA), Farmers Home Administration/Farm Services Administration (FSA), Iowa Finance Authority (IFA), and State of Iowa Link Deposit Programs.

Since January 1, 1995, these loans include:

	1/1/95-12/31/95		1/1/96-6/24/96	
	# of Loans	\$ Volume	# of Loans	\$ Volume
SBA	14	601,759	1	40,000
FSA	2	102,275	0	0
IFA	11	768,315	12	836,430
Link Deposit	22	875,755	4	164,500

The bank ranked fourth in 1995 in loan production among lenders in the SBA Cedar Rapids district with 14 loans. The three leading banks originated 22, 19, and 19 loans, respectively.

In 1995, the bank offered zero down payment, low-interest loans to teachers in the Iowa City Community School District to enable them to acquire personal computers. The program netted 80 loans totaling \$184,500.

The bank took a leadership position in a consortium of lenders to provide loans to a not-for-profit Community Housing Development Organization through the City of Iowa City. The project resulted in 17 new affordable housing units.

For a number of years, FNB has participated in the Federal Home Loan Bank Board Affordable Housing Program. The program provides loans with minimal down payment requirements and, in some cases, a two percent forgivable grant from the bank. In 1994, the Iowa Bankers Association awarded the bank its "Summit Award" in recognition of the bank's participation in the program.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Assessment Factor E -- The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- o The geographic distribution of the bank's loans is reasonable, and we found no areas of disproportionate distribution.

In 1995, the bank extended 91.5 percent of its loans to borrowers within its delineated community.

Assessment Factor E, continued:

There were four census tracts where lending activity was low, but there is very little opportunity to lend in those areas. The U of I campus and hospital, Finkbine Golf Course and U of I student housing consume three of the tracts. The fourth is in the Swisher/Shueyville area, which is near a number of competing banks in Cedar Rapids, Iowa.

Assessment Factor G -- The institution's record of opening and closing offices and providing services at offices.

- o Banking services and offices are reasonably accessible to all segments of the community.

FNB opened two new branches since the previous examination, and has not closed any offices. In January, 1996, the bank opened branches in southwest Iowa City and in North Liberty. It also added three ATMs, bringing the bank's total to 24 within the delineated community.

Hours are reasonable, and officers are available after hours for appointments. A new 24-hour toll-free telephone banking service offers information on loan balances and payment dates, and callers may make payments by transfer from deposit accounts.

In April, 1996, the Iowa City Council awarded the bank a Design Excellence Award for handicap accessibility in its facilities. FNB offers TDD telephone services to serve hearing-impaired individuals.

The main bank and drive-in are in a low-income area, the Coralville branch is in a moderate-income area and the remaining facilities are in middle-income areas.

IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D -- Any practices intended to discourage applications for types of credit set

forth in the institution's CRA statements(s).

- o Management affirmatively solicits credit applications from all segments of the community.

The Board and management have developed formal policies and procedures supporting nondiscrimination in lending activities. Employees receive adequate fair lending training. The compliance audit function periodically tests the adequacy of the bank's fair lending program.

Assessment Factor F -- Evidence of prohibited discriminatory or other illegal credit practices.

- o We found no evidence of discrimination or violations of law or regulation.

Assessment Factor F, continued:

Our fair lending review did not discover any evidence of discriminatory or illegal credit practices. We reviewed the bank's compliance with the Equal Credit Opportunity Act, Home Mortgage Disclosure Act, Fair Housing Act, Fair Housing Home Loan Data System Regulation, and Fair Credit Reporting Act. We examined consumer loan underwriting policies, procedures, and marketing. We analyzed approved and denied loans to discern disparate treatment of protected classes. We found no violations of law or regulation.

We conducted a review of the bank's fair lending practices as of December 31, 1995. We found no evidence of pre-screening of applicants.

V. COMMUNITY DEVELOPMENT

Assessment Factor H -- The institution's participation, including investments, in local community development and redevelopment projects or programs.

- o Personnel actively participate in community development and redevelopment efforts, often in a leadership role.

Members of the Board and management are very active in the organizations and programs which promote community development in the county. See Assessment Factors I and J for additional information.

The bank also purchases investments issued within the county when possible. These include \$699,240 in City of North Liberty bonds principally used to construct a new Community Center, \$300,000 in bonds issued by the City of Tiffin, and \$127,000 in City of Coralville industrial revenue bonds.

Assessment Factor L --Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire

community.

- o The Board and management are generous with time and money to improve the local community.

FNB, its officers and employees donate a significant amount of time and funds to local civic and neighborhood organizations. It provides scholarships to Kirkwood Community College students and Johnson County 4-H members, and is an active sponsor of educational and cultural activities in the community. Officers frequently speak at school and community events on banking topics.

While these donations do not directly address community credit needs, they do aid significantly in promoting community development projects and programs.

Additional Information:

The Office of the Comptroller of the Currency (OCC) is the regulatory agency responsible for supervision of this bank. If you should have comments regarding this bank's performance under the CRA or questions regarding the Act, contact the Iowa City Duty Station, 519 Kirkwood Avenue, Iowa City, Iowa, 52240, or telephone (319) 351-1381.