



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

December 03, 2007

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Hampton  
Charter Number: 13842

211 1st Avenue, N.W.  
Hampton, IA 50441

Office of the Comptroller of the Currency

Minneapolis South  
920 Second Avenue South Suite 800  
Minneapolis, MN 55402

**NOTE:** This document is an evaluation of this 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. 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.

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

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the assessment area.
- A majority of the bank's loans are originated to customers inside the assessment area.
- The bank has reasonable distribution of lending to farms and businesses of different sizes.

## **SCOPE OF EXAMINATION**

We examined First National Bank of Hampton's CRA performance from the period beginning January 21, 2003 through September 30, 2007. We focused our review on agricultural and commercial loans, as these were identified as the bank's primary products based on dollar volume and number of loans originated from January 1, 2005 through September 30, 2007. In order to assess the bank's lending activity, we sampled loans originated during that timeframe.

## **DESCRIPTION OF INSTITUTION**

First National Bank of Hampton (FNB) is a \$95 million agricultural and commercial bank located in Hampton, IA. The bank has one full-service facility located in downtown Hampton and one deposit-taking ATM located in the main office. FNB offers telephone banking services to both consumer and business customers and Internet banking to non-business customers.

FNB offers traditional loan and deposit products. As of September, 30 2007, the bank's net loans totaled 60.6% of total assets. The bank's primary credit products are agricultural and commercial loans. The loan portfolio consists of 41.1% agricultural loans, 26.2% commercial loans, 23.5% residential real estate, and 9.2% consumer loans based on outstanding dollars.

FNB is 100% owned by A.M. Saylor, Inc., a one-bank holding company located in Hampton, IA. As of September 30, 2007, A.M. Saylor, Inc. had total assets of \$95 million. The bank does not have any affiliate relationships that impact the bank's CRA performance.

FNB received a "Satisfactory" rating at its January 21, 2003 CRA examination. There are no financial, legal, or other factors affecting the bank's ability to meet its CRA lending obligations.

## **DESCRIPTION OF ASSESSMENT AREA**

FNB's assessment area (AA) includes all of Franklin County, IA, which is divided into three census tracts (9601, 9602, 9603). The bank's AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. All three census tracts are designated as middle-income areas. According to the 2006 U.S. Census estimate, the population of Franklin County was 10,708.

The U.S. Department of Housing and Urban Development (HUD) estimated 2007 median family income for the non-metropolitan portion of Iowa is \$53,100. According to 2000 U.S. Census data, income distribution of families in the AA is as follows: 16.5% low-income, 20.3% moderate-income, 25.0% middle-income, and 38.2% upper-income.

The local economy is stable. According to Iowa Workforce Development, the unemployment rate in Franklin County was 3.4% as of September 2007. This is below the unemployment rate of 3.9% for the State of Iowa. According to 2006 Business Geodemographic Data, agriculture is the leading industry in the AA at 25.8%, followed by the services industry at 20.5%. According to the 2000 U.S. Census, households below the poverty level were 7.8%, which is below the state rate of 8.3%. According to the 2000 U.S. Census, the median housing value is \$58,934, and the owner-occupied housing rate is 68.4%.

Competition from other financial institutions exists in the AA. There are six financial institutions (excluding credit unions) in Franklin County, with asset sizes ranging from \$55 to \$869 million. According to the June 30, 2007 FDIC Market Share Report, FNB dominates the market share with 37.5% of deposits in the AA.

We made one community contact during our examination. The community contact was a member of an economic development organization. The contact stated that all local financial institutions are active in meeting the credit needs of the community. The community contact was unaware of any situations in which credit needs were not being met.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

FNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and credit needs of the AA. The bank's quarterly net loan-to-deposit ratio averaged 63.7% for the 20 quarters from December 31, 2002, through September 30, 2007. Based on this ratio, the bank ranked third compared to three similarly situated banks in the AA. These three similarly situated banks had total assets ranging from \$55 to \$118 million.

Institution Name	Total Assets \$(000)s (as of 9/30/07)	Average Loan to Deposit Ratio 4Q02-3Q07
Hampton State Bank	55,083	79.9%
<b>First National Bank of Hampton</b>	<b>95,036</b>	<b>63.7%</b>
United Bank and Trust Company	95,180	59.6%
Ackley State Bank	118,039	92.6%

Source: Call Report Data

### Lending in Assessment Area

FNB originates a majority of its loans to borrowers inside the AA. In order to determine the bank's lending activity in the AA, we pulled a random sample of 20 agricultural and 20 commercial loans originated from January 1, 2005 through September 30, 2007. The bank originated 80.0% of their loans by number, and 82.8% by dollar volume inside the AA.

Lending in Franklin County										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	14	70.0%	6	30.0%	20	787,743	84.6%	143,900	15.4%	931,643
Commercial	18	90.0%	2	10.0%	20	944,874	81.5%	215,000	18.5%	1,159,874
Totals	32	80.0%	8	20.0%	40	1,732,617	82.8%	358,900	17.2%	2,091,517

Source: Loan Sample

### Lending to Farms and to Businesses of Different Sizes

FNB has a reasonable distribution of lending to farms and businesses of different sizes in the AA.

Agricultural lending activity is reasonable and meets the demographics of the AA. From January 1, 2005 to September 30, 2007, the bank originated 801 agricultural loans totaling \$32.9 million. Based on our sample of 20 loans, the bank originated 95.0% of its agricultural loans to borrowers with gross annual revenues below \$1 million. The following table summarizes the bank's agricultural lending activity:

Borrower Distribution of Loans to Farms in Franklin County				
Gross Annual Revenue	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	96.35%	2.25%	1.40%	100%
% of Bank Loans in AA by #	95.0%	5.0%	-	100%
% of Bank Loans in AA by \$	95.5%	4.5%	-	100%

Source: Loan Sample; 2006 Business Geodemographic Data

Commercial lending activity is reasonable. From January 1, 2005 to September 30, 2007, the bank originated 822 commercial loans totaling \$28.5 million. Based on our sample of 20 loans, the bank originated 75.0% of its commercial loans to borrowers with gross annual revenues below \$1 million.

The percentage of businesses with unreported revenues is high at 41.27%, and discussions with the community contact and loan officers indicate that several of the businesses in this category have revenues greater than \$1 million. The community contact indicated that there has been approximately \$56 million in expansion of current businesses in the area in the past three years, and businesses in the local economy continue to grow. A majority of this business expansion has been in manufacturing and industrial operations, as well as value-added agricultural businesses. The following table summarizes commercial lending activity by revenue size:

<b>Borrower Distribution of Loans to Businesses in Franklin County</b>				
Gross Annual Revenue	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	55.71%	3.02%	41.27%	100%
% of Bank Loans in AA by #	75.0%	25.0%	-	100%
% of Bank Loans in AA by \$	59.6%	40.4%	-	100%

Source: Loan Sample; 2006 Business Geodemographic Data

### **Geographic Distribution of Loans**

A review of lending by geographic distribution is not meaningful. We did not perform an analysis as the AA contains only middle-income geographies.

### **Responses to Complaints**

FNB has not received any CRA-related complaints since the last CRA examination.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.