



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

February 17, 2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Security National Bank of Omaha  
Charter Number: 15379

1120 S. 101st Street  
Omaha, Nebraska 68124-1967

Office of the Comptroller of the Currency

Omaha Field Office  
13710 FNB Parkway, Suite 110  
Omaha, Nebraska 68154-5298

**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 lending test is rated: Satisfactory**

- Security National Bank's (SNB) average loan-to-deposit ratio reasonably compares to other similarly situated institutions.
- A substantial majority of the bank's primary loan products are within the designated assessment area (AA).
- SNB's record of lending to businesses of different sizes and individual borrowers of different income levels is reasonable.
- The geographic distribution of loans within the AA is reasonable.
- There were no complaints about the bank's performance in helping to meet the credit needs of the AA during the evaluation period.

### **The community development test is rated: Outstanding**

- The bank has originated a high volume of community development loans during the evaluation period.
- Community Reinvestment Act (CRA) investments in the form of cash donations to various community organizations serving community development purposes are at a high level.
- SNB provides excellent responsiveness to community development services.

## **Scope of Examination**

This CRA evaluation was conducted using the intermediate small bank performance evaluation standards. This evaluation draws conclusions on SNB's performance under the lending and community development tests. The evaluation period considered is January 1, 2006 to December 31, 2009.

Initial analysis of the bank's lending activities by dollar volume identified business lending as the bank's primary lending focus, followed by residential real estate lending. This CRA evaluation focused on annually collected loan data for both of these lending categories. To verify the data, we tested the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) and Small Business Loan reports. Our sampling found these reports reliable; no significant errors in the data collected were identified. Conclusions on the bank's lending test performance are based on data from January 1, 2008 to December 31, 2009.

The community development test focused on SNB's community development lending, investments, and services since the prior CRA Examination. Therefore, the evaluation period was January 1, 2006 to December 31, 2009. The testing included reviewing loan files and documentation provided by the bank.

Examiners interviewed one community contact and reviewed documentation on two other recent community contacts conducted in connection with CRA examinations at other financial

institutions. These contacts primarily promote economic development and typically focus on small business and low- or moderate-income individuals. The contacts indicated area banks are meeting the credit needs of the community, and provide time and financial resources to many community organizations and projects. The contacts identified affordable housing and small business lending as area credit needs. SNB offers products that fit these needs. Tables found later in this document will outline the bank's lending performance to small businesses and low- and moderate-income borrowers to address the affordable housing need.

## **Description of Institution**

SNB is a full-service financial institution in Omaha, Nebraska. Security National Corporation (SNC) owns 100% of the bank. SNC is a one-bank holding company headquartered in Omaha, Nebraska. There were no acquisition or merger activities during the evaluation period.

The bank offers a full range of credit products within its AA including commercial, real estate, and consumer loan products. As of December 31, 2009, the bank had 13 branch locations and 46 automated teller machines (ATMs) located within the AA. With the addition of the Aksarben branch in 2008, SNB now has four branch locations in moderate-income census tracts. There are no known legal, financial, or other impediments that hamper the bank's ability to help meet the AA credit needs.

As of December 31, 2009, SNB had total assets of \$618 million and tier 1 capital of \$58 million. The bank's loan-to-deposit ratio was 88%, and net loans represented 69% of total assets. The bank's primary focus remains business lending. By dollar amount, the loan portfolio consisted of 57% business loans, 20% residential real estate loans, 9% consumer loans, and 14% other loans.

SNB received a satisfactory rating under the intermediate small bank process at the previous CRA examination dated January 20, 2006.

## **Description of Assessment Area**

The AA designated by SNB includes all of Douglas and Sarpy County in Nebraska. These counties are within the Omaha Metropolitan Statistical Area (MSA). The Omaha MSA consists of eight counties. SNB selected Douglas and Sarpy County because of the proximity to SNB branch locations. The remaining counties within the MSA were not included, as SNB can only reasonably serve areas in proximity to existing branch locations. Several other financial institutions serve the remaining areas of the Omaha MSA. The AA includes 7 low-income census tracts, 46 moderate-income tracts, 77 middle-income tracts, and 50 upper-income tracts as outlined in the 2000 U.S. Census data. The majority of the low- and moderate-income tracts are located in the eastern portion of the city of Omaha. The bank did not arbitrarily exclude any low- or moderate-income geographies.

Competition from financial institutions within the AA is strong. The AA is served by a total of 37 FDIC insured financial institutions operating out of 241 offices. In addition, there are several credit unions and mortgage companies operating within the Omaha market. Each year the FDIC

completes a Deposit Market Share Analysis. The June 30, 2009 analysis indicates over 89% of the deposit market share is concentrated in eight financial institutions. The deposit market share of these institutions ranges from 35.4% to 2.6 %. SNB was identified as having the eighth largest deposit market share at 2.6 %.

The economies in Douglas and Sarpy County are diverse. No one employer dominates the market. The primary employment sectors are the services industry, retail, finance/insurance/real estate, healthcare, and construction. Based on U.S. Census data, approximately 8% of the households in the AA live below the poverty level, making it more difficult for these households to qualify for traditional mortgage financing. Housing stock in the AA consists of 60% owner occupied housing and 33% rental occupied housing with a 5% vacancy rate. The Housing and Urban Development updated Omaha MSA median family income for 2009 was \$69,900.

## Conclusions with Respect to Performance Tests

### LENDING TEST

**The bank's performance under the lending test is rated satisfactory.** The following narratives and tables support our assessment of the bank's performance.

#### Loan-to-Deposit Ratio

SNB's loan-to-deposit ratio reasonably compares to similarly situated financial institutions within the Omaha MSA. SNB's average loan-to-deposit ratio over the last seventeen quarters was 86.9%. The average loan-to-deposit ratio of the six other similarly situated institutions operating in Douglas and Sarpy County was 93.8%, with a range of 78.1% to 104.3%.

#### Lending in Assessment Area

SNB's record of lending within the AA is outstanding. Loan origination information from January 1, 2008 to December 31, 2009 was used for the assessment of lending within the AA. SNB originated 89.5% by number and 89.0% by dollar volume of its primary loan products within the AA. Table 1 outlines the results of the bank's lending within the AA.

Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Real Estate <sup>1</sup>	382	89.7	44	10.3	426	38,008	88.8	4,813	11.2	42,821
Commercial <sup>2</sup>	968	89.4	115	10.6	1,083	159,167	89.0	19,678	11.0	178,845
Totals	1,350	89.5	155	10.5	1,505	197,175	89.0	24,491	11.0	221,666

Source: <sup>1</sup> Data reported under HMDA.

<sup>2</sup> Origination information maintained by bank.

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

SNB's level of lending to businesses of different sizes and to borrowers of different income levels is satisfactory.

### *Lending to Residential Real Estate Borrowers of Different Income Levels*

SNB's record of lending to borrowers of different incomes is reasonable. The information in Table 2A shows the bank's performance compared to the percentage of families in each income category within the AA. The table indicates the percentage of loans to low- or moderate-income (LMI) borrowers is lower than the demographics.

The 2009 average sales price for a single-family home in Omaha was \$158,616 according to information obtained from the Omaha Area Board of Realtors. Considering the 2009 average home sales price, tightened underwriting criteria, and uncertainty of the national economy, low- and moderate-income families generally have a more difficult time qualifying for residential mortgage loans of this size. Additional information obtained about the Omaha area indicated there is limited availability of affordable housing. Only 23% of the homes sold using the Multiple Listing Service in 2009 were under \$100,000.

SNB has undertaken additional efforts to address the housing needs of low- and moderate-income borrowers. During the evaluation period, SNB participated in a variety of flexible loan programs in the AA. The bank's participation in these programs received positive consideration in our analysis of the Lending Test performance.

The bank participated in several loan programs sponsored by the federal government that primarily serve LMI home mortgage applicants. These housing programs generally offered reduced down payment requirements, lower closing costs, lower interest rates, and more liberal underwriting criteria than conventional loans. From 2006 through 2009, the bank originated 19 loans totaling \$3 million under the Veteran's Administration loan programs, and 98 loans totaling \$14 million under the Federal Housing Authority (FHA) loan programs in the AA.

The bank also participated in the Nebraska Investment Finance Authority (NIFA) loan programs. NIFA loan programs provided financing to qualified LMI borrowers throughout Nebraska and generally offered reduced interest rates and lower down payment requirements than traditional mortgage loan programs. From 2006 through 2009, SNB originated 137 NIFA loans totaling \$16 million in the AA.

In addition, SNB is a participating member of Omaha 100, which targets low-income housing. The involvement in Omaha 100 demonstrates the bank's desire to provide housing opportunities to low- and moderate-income families. This organization originated 49 loans for \$193,000 in the evaluation period. The bank also participated in Fannie Mae's "My Community Mortgage Program," which is designed to provide a flexible mortgage product to low- and moderate-income borrowers. From 2006 to 2008, SNB originated 97 loans under this program totaling \$12 million dollars. This program was discontinued in 2009.

<b>Table 2A – Borrower Distribution of Residential Real Estate Loans in Douglas and Sarpy County</b>
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Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Purchase	17.0	10.5	18.4	9.0	24.0	14.9	40.6	59.7
Home Improvement	17.0	14.6	18.4	14.6	24.0	24.4	40.6	42.7
Refinance	17.0	11.6	18.4	10.3	24.0	16.3	40.6	54.9

Source: Data reported under HMDA and 2000 U.S. Census data.

*Lending to Businesses of Different Sizes*

SNB’s lending activity to businesses of different sizes is reasonable. The volume of lending by number of loans approximates the percentage of AA businesses with revenues under \$1 million. In the last two years, the bank has originated 505 loans to AA businesses with revenues less than \$1 million. Greater emphasis is placed on the data by number of loans, as opposed to dollar volume, due to the fact that large businesses tend to have larger loan needs. Table 2B provides additional detail on how SNB compares to the area business demographics.

<b>Table 2B - Borrower Distribution of Loans to Businesses in Douglas and Sarpy County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	73.3	6.2	20.5	100%
% of Bank Loans in AA by #	52.2	40.9	6.9	100%
% of Bank Loans in AA by \$	37.1	58.6	4.3	100%

Source: Data maintained for small business loans and 2009 Dunn and Bradstreet data.

**Geographic Distribution of Loans**

The geographic distribution of the primary products reflects good penetration throughout the designated AA.

*Geographic Distribution of Residential Real Estate Loans*

SNB had good residential loan penetration throughout the different census tract income categories. Table 3A compares the bank’s performance to the distribution of owner occupied housing within each census tract income category from 2008 through 2009. The AA consists of 7 low-income, 46 moderate-income, 77 middle-income, and 50 upper-income census tracts. SNB’s activity in 2008 and 2009 closely reflects area demographics. For home improvement activity, the bank’s percentage exceeds the demographics in the moderate-income tracts. The limited activity in low-income census tracts for home purchase, home improvement, and refinance loans is mitigated by the fact that only 1.3% of the owner occupied housing for the AA is located within the seven low-income census tracts.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Purchase	1.3	0	18.6	16.4	46.7	40.3	33.4	43.3
Home Improvement	1.3	0	18.6	22.0	46.7	39.0	33.4	39.0
Refinance	1.3	0	18.6	17.2	46.7	44.6	33.4	38.2

Source: Data reported under HMDA and 2000 U.S. Census data.

*Geographic Distribution of Business Loans*

The bank’s record of lending to businesses in different geographies within the AA is reasonable. Table 3B outlines the bank’s performance for loans originated in 2008 and 2009. SNB shows good loan penetration throughout all census tract income levels.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial	2.3	.5	18.0	22.5	45.0	43.7	34.7	33.3

Source: Data maintained for small business loans and 2009 Dunn and Bradstreet data

**Responses to Complaints**

There were no complaints regarding the bank’s CRA performance during the evaluation period.

**COMMUNITY DEVELOPMENT TEST**

**The bank’s performance under the community development test is rated outstanding.** The following narratives support our assessment of the bank’s performance.

*Community Development Lending*

The volume of SNB’s community development loans demonstrates excellent responsiveness to opportunities in the AA. The bank originated 71 community development qualified loans totaling over \$43.7 million from January 1, 2006 to December 31, 2009. The largest portion of the community development lending by number is attributable to the bank’s funding of several qualified affordable housing multi-family units. These loans were primarily in low- and moderate-income census tracts, and all the properties had rental rates considerably lower than the Omaha average monthly rental rate of \$557. Multi-family lending helps to address the affordable housing need as identified by community contacts. In addition to multi-family loans, the bank originated a number of revitalization, economic development, and community service qualifying community development loans.

SNB also originated 22 short-term one-to-four family loans to rehabilitate and renovate existing homes within the AA to various individuals and entities totaling over \$1.2 million. This activity has helped to improve housing within the AA, but does not qualify as community development lending under the definitions of CRA.

#### *Community Development Investments*

The bank's community development investment activity is excellent. Community development investments were concentrated in donations to organizations whose primary purposes were to provide community development services to low- and moderate-income individuals within the AA. SNB provided \$758,036 in qualifying donations to 88 organizations between January 1, 2006 and December 31, 2009.

#### *Community Development Services*

SNB's provides excellent responsiveness to community development services. In 2008, SNB opened a branch in a moderate-income tract located in the Aksarben Village. SNB now has 13 branch locations with 4 branches and 14 ATMs located in low- or moderate-income census tracts. In addition, several of SNB's other branches and ATMs are located within reasonable proximity to low- and moderate-income areas.

SNB staff and management are actively involved in 47 community organizations that directly serve low- and moderate-income individuals or geographies. Qualifying organizations have a focus of affordable housing, community service, or promoting economic development to revitalize and stabilize specific geographies. SNB personnel's involvement in these organizations is focused around providing technical and financial expertise. SNB also provides its conference center at no cost and waives account fees to several of these organizations. It is estimated that the value of providing the conference center to these groups was over \$150,000, and \$178,000 of fees were waived during this evaluation period.

### **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.