



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 21, 2008**

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

McCook National Bank  
Charter Number 8823

220 Norris Avenue  
McCook, NE 69001

Office of the Comptroller of the Currency

Omaha Field Office  
13710 FNB Parkway, Suite 110  
Omaha, NE 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 Outstanding.**

McCook National Bank (MNB) does an excellent job of meeting the credit needs of its assessment area (AA).

- MNB's performance in lending to farms of different sizes is satisfactory.
- A majority of the bank's loans are within the AA.
- The bank's average loan-to-deposit (LTD) ratio is reasonable compared to similarly situated banks in the AA.
- While community development (CD) lending and activities are optional for a small bank, MNB's CD and other Community Reinvestment Act (CRA) activities are exceptional and strengthen its overall CRA performance. CD lending helped to meet the housing needs of the AA, especially to low- and moderate-income (LMI) individuals. Housing was the most pressing need for the AA.

**SCOPE OF EXAMINATION**

Small bank CRA procedures were used to evaluate the bank's CRA performance. The bank's primary product is agricultural loans based on the January 1, 2006 to July 18, 2008 evaluation period. A sample of 20 loans of the bank's primary lending product was used to assess the bank's lending performance in the AA. For community development loans, investments, and services, we reviewed all activity since 2002.

**DESCRIPTION OF INSTITUTION**

MNB is a \$219 million bank located in McCook, Nebraska. The bank was chartered in 1907 and is majority owned by McCook Financial Group, Incorporated, a one-bank holding company. MNB operates with two drive-in branches and five automated teller machines (ATMs) in McCook, Nebraska. MNB also operates a full service branch in Stratton, Nebraska. The main bank facility is headquartered in McCook, Nebraska. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of the AA. The bank received an "Outstanding" CRA rating at the last examination dated December 2, 2002.

MNB offers traditional loan and deposit products. As of March 31, 2008, MNB reported net loans of \$155 million and had a net loans and leases to total assets ratio of 70%. The loan portfolio composition as of March 31, 2008 consisted of 57% agricultural loans, 30% commercial loans, 9% residential real estate loans, and 4% consumer loans based on outstanding dollars. The following table shows the breakdown of loans originated and purchased since January 1, 2006, with the bank's primary product in bold.

Loan Type	% by Dollars of Loans Originated/Purchased during evaluation period	% by Number of Loans Originated/Purchased during evaluation period
<b>Agricultural Loans</b>	<b>60%</b>	<b>37%</b>
Consumer Loans	6%	39%
Commercial Loans	23%	13%
Residential RE Loans	11%	11%
Total	100%	100%

Source: Bank reports

## DESCRIPTION OF ASSESSMENT AREA(S)

MNB AA encompasses all of Red Willow, Hitchcock, and Dundy counties. The AA is contiguous and reasonable for the bank. The five census tracts (CT) comprising Red Willow, Hitchcock, and Dundy counties are designated as underserved and distressed by the Federal Financial Institutions Examination Council (FFIEC). The designation of the underserved and distressed CT is due to the remote rural location and population loss the CT have sustained. All five CT, 9623, 9627, 9631, 9632, and 9633, are designated as middle-income CT. The AA does not arbitrarily exclude any LMI areas.

Here is a summary of some demographic information for the AA:

Demographic Information for the AA					
	#	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	5	0%	0%	100%	0%
Population by Geography	16,851	0%	0%	100%	0%
Owner-Occupied Housing by Geography	8,149	0%	0%	100%	0%
Businesses by Geography	2,094	0%	0%	100%	0%
Farms by Geography	397	0%	0%	100%	0%
Family Distribution by Income Level	4,740	20%	20%	27%	33%
Household Distribution by Income Level	6,973	25%	19%	21%	35%
Census Median Family Income (MFI)		\$41,596	Median Housing Value		\$50,629
HUD-Adjusted MFI: 2008		\$51,800	Households Below the Poverty Level		12%
HUD-Adjusted MFI: 2007		\$50,400	Unemployment Rate		1%
HUD-Adjusted MFI: 2006		\$51,400			

Source: Dun & Bradstreet

The economy is relatively stable. Economic activity in the AA primarily consists of agricultural activities; however, small business services and residential real estate activity is also present. The growth and expansion for commercial development and availability of affordable housing continue to be a credit need in the AA.

Competition from other financial institutions is average. The bank's competitors include a few local community banks and several branches of large regional institutions.

Examiners conducted two community contacts - one with the economic development office and one with a local realtor. Both community contacts indicated the local banks were doing a good job of supporting the financial needs of the community. Commercial development and providing home mortgages to LMI individuals were noted as credit needs in the community. Community contacts indicated MNB was extremely involved in the local community and supported commercial development projects, affordable housing projects, and assisting borrowers to obtain home mortgages to fit their needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

MNB's average LTD ratio over the past twenty quarters is reasonable to meet the credit needs of the AA. The bank's average LTD ratio was 82% compared to the 92% average LTD of other similarly situated financial institutions. There are three other similarly situated financial institutions headquartered in the AA. The LTD ratios of the other similarly situated financial institutions ranged from 85% to 98%.

### Lending in Assessment Area

MNB originates a majority of its loans in the AA. The loan sample consisted of 20 agricultural loans originated from January 1, 2006 to July 18, 2008. As the following table indicates, the bank originated 70% of loans by number volume and 67% of loans by dollar volume within its AA for agricultural loans.

Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	14	70%	6	30%	20	\$825,909	67%	\$404,886	33%	\$1,230,795

Source: Bank Reports

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

MNB's performance for lending to small farms of different sizes is satisfactory. Sixty-five percent of agricultural loans originated in the loan sample were to farm operations with gross revenues of less than \$250,000. The bank originated 95% of agricultural loans to farm operations in the AA with gross revenues of less than \$1 million. This reasonably compares with the demographic comparator which indicates 98% of AA farms have gross revenues less than \$1 million.

Borrower Distribution of Loans to Farms in Assessment Area		
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000
% of AA Farms	98%	2%
% of Bank Loans in AA by #	95%	5%
% of Bank Loans in AA by \$	83%	17%

Source: Bank Reports; Dun and Bradstreet 2008 Information

## **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans was not meaningful as the AA did not have any low- or moderate-income geographies.

## **Community Development Loans**

MNB originated thirteen community development loans in the AA since the last CRA examination totaling \$428,927.

- Originated seven loans totaling \$164,222 to the Red Willow Western Fire District to finance fire trucks, buildings, and equipment serving the community. These loans stabilize the AA, which is considered an underserved nonmetropolitan middle-income geography, to help meet essential community needs, including the needs of LMI individuals.
- Originated one loan for \$1,500 to Southwest Nebraska Habitat for Humanity, which builds affordable housing for LMI families.
- Originated five loans totaling \$263,205 to McCook Economic Development Corporation to finance the clean up of homes to resale to LMI families. These loans revitalize the AA and provide affordable housing to LMI families.

## **Community Development Investments**

During the evaluation period, MNB made one qualified investment totaling \$27,500 to the United Way campaign, which provides funding to programs targeting LMI families. In addition, MNB continues to have an outstanding investment, with a current balance of \$167,000, which was used to help finance the purchase and renovation of an apartment complex. The apartments are currently leased to LMI families.

## **Community Development Services**

Four bank officers provided community development services to qualifying programs in the AA. One officer served on the board of directors of the local Habitat for Humanity, which builds affordable housing in the AA; another officer served as the fund coordinator for the local United Way campaign drive, which provides assistance to programs targeting LMI families; and two officers were committee members for the McCook Chamber of Commerce budget and finance committee, which provides economic development to the community and assistance to small businesses.

## **Other CRA Activity**

MNB operates in nonmetropolitan middle-income census tracts that have been designated as underserved and distressed. An underserved census tract is one that has been identified by the federal government as having difficulty meeting essential community needs. The AA was designated as distressed as the census tracts comprising the AA have sustained population losses. The presence of two full-service branches, two drive-ins, and five ATMs in the AA is an indication that the bank is

helping to provide retail and community development services to the underserved area, including free checking banking accounts and loan programs to assist qualified borrowers in obtaining a low interest rate mortgage. These services generally help to increase access to financial services for LMI individuals. With a 12% poverty rate and 40% of the families' considered LMI, the provision of these services is considered favorably under the CRA review.

The bank participated in loan programs offered through the Nebraska Investment Finance Authority (NIFA). NIFA's loan programs provided financing to qualified LMI borrowers throughout Nebraska. The programs included reduced interest rates and lower down payment requirements than traditional mortgage loan programs. Since 2002, MNB originated 90 NIFA loans totaling approximately \$5.7 million. Borrowers in this program qualified for NIFA grants totaling \$54,474 for down payment and closing cost assistance.

MNB participates in the Federal Home Loan Bank of Topeka's Rural First-Time Home Buyer Program (RFHP). This program provides grant assistance to LMI first-time homebuyers for down payment and closing cost assistance. The bank originated 19 home mortgage loans under this program since 2002. The dollar amount of this lending was not available. Borrowers also received \$72,882 in grants under this program.

### **Responses to Complaints**

MNB has not received any CRA related complaints since the last performance evaluation.

### **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.