



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**October 17, 2002**

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

**First National Bank In New Hampton  
Charter Number 12998**

**22 West Main Street  
New Hampton, IA 50659**

**Comptroller of the Currency  
Eau Claire Field Office  
1310 West Clairemont Avenue Suite 100  
Eau Claire, WI 54701**

**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.**

## TABLE OF CONTENTS

<i>INSTITUTION'S CRA RATING</i> .....	2
<i>DESCRIPTION OF INSTITUTION</i> .....	2
<i>DESCRIPTION OF ASSESSMENT AREA</i> .....	3
<i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</i> .....	4

## **INSTITUTION'S CRA RATING**

**This institution is rated Outstanding.**

- First National Bank meets the credit needs of the community, as demonstrated by its quarterly average loan-to-deposit ratio of 68.4 percent since the bank's prior CRA examination.
- A reasonable number of loans by both number (73 percent) and by dollar volume (57 percent) are located within the bank's defined assessment area.
- First National Bank in New Hampton has an excellent distribution of credit among individuals of different income levels (including low- and moderate-income borrowers) and businesses of various sizes.

## **DESCRIPTION OF INSTITUTION**

First National Bank in New Hampton (FNB) is a \$46 million commercial bank located in New Hampton, Iowa. The bank's main office and drive-up facility are located in downtown New Hampton. The bank has one deposit-taking automated teller machine (ATM) located at a grocery store in New Hampton. New Hampton is located approximately 40 miles north of Waterloo, Iowa, 40 miles east of Mason City, Iowa, and 75 miles south of Rochester, Minnesota.

The bank offers telephone banking to its customers. The telephone banking service provides customers with 24-hour access to deposit and loan account information. It also allows customers to make transfers between accounts, excluding making loan payments.

FNB offers a wide range of loan and deposit products well suited to the community's needs. The bank's lending focus is commercial, agricultural, residential real estate, and consumer lending. According to its Report of Condition and Income, FNB has the following outstanding loans by percentage of dollar volume on June 30, 2002: residential real estate (38 percent), commercial (32 percent), agricultural (22 percent), and consumer (8 percent). As of June 30, 2002, net loans total 65 percent of total assets.

FNB is 100% owned by D&TC, Inc., a one-bank holding company headquartered in New Hampton, IA. As of June 30, 2002, D&TC, Inc. had total assets of \$46 million. The bank's subsidiary, First Mortgage Company, is a loan production office (LPO) located in Cedar Rapids, IA. The LPO generates only residential real estate loans.

There are no financial, legal, or other factors that impede the bank's ability to meet its CRA obligations. FNB received a "Satisfactory Record of Meeting Community Credit Needs" dated February 9, 1998.

## DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of all four contiguous block numbering areas (BNAs) in Chickasaw County, Iowa. The assessment area complies with regulatory requirements and does not arbitrarily exclude any low- or moderate-income BNAs. It includes all FNB locations and ATMs as well as a majority of the bank's loans. The total population of the bank's assessment area is 13,295 people, according to the 1990 U.S. Census Data.

The 1990 U.S. Census median family income (MFI) for the non-metropolitan area portion of Iowa is \$29,303. The U.S. Department of Housing and Urban Development's estimated 2002 MFI for the non-metropolitan area portion of Iowa is \$49,400. The following table summarizes the income levels of individual BNAs and families located within the bank's assessment area:

<b>Income Distribution of Geographies and Families</b>								
Assessment Area	Number of BNAs/CTs				Percentage of Families			
	Low	Moderate	Middle	Upper	Low	Moderate	Middle	Upper
Chickasaw County	0	0	4	0	16%	21%	29%	34%

Source: U.S. Census Data (1990)

The assessment area has eight percent of families with incomes below the poverty level according to 1990 U.S. Census Data.

According to 2000 U.S. Census Data, the median value of owner-occupied housing units in Chickasaw County is \$71,200. Nearly 75% of housing in the assessment area is owner-occupied. Rental units have an average gross rent of \$325 per month, which is fairly low in relation to income levels.

Major employers in New Hampton include TriMark Corporation (245 employees), Precision of New Hampton (88), Farmers Cooperative (83), Dean Foods (72), Zip's Truck Equipment (65), Ross Marketing (60), and New Hampton Metal Fabrication (60). Unemployment in Chickasaw County is 3.9 percent. This is consistent with the 3.9 percent unemployment rate for the state of Iowa.

Competition from other financial institutions is strong. There are 7 financial institutions, excluding credit unions, with a presence in Chickasaw County. These financial institutions are of varied sizes and offer a variety of banking products. According to the June 30, 2001 deposit information from the Federal Deposit Insurance Corporation, State Bank of Lawler and Security State Bank dominate the deposit market share in Chickasaw County with 34 percent and 21 percent, respectively. FNB ranked third among the 7 institutions with 15 percent of the deposits.

One community contact was made with a government organization during the examination. Another community contact from an economic development organization was available from June 2002. Both contacts stated that all area banks have expressed a willingness to provide financing, including financing in combination with local government housing programs. Our contact indicated that the area has a need for multi-family rental units.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

FNB's net loan-to-deposit ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's quarterly net loan-to-deposit ratio averaged 68.4 percent over the 18 quarters from March 30, 1998, through June 30, 2002. FNB's net loan-to-deposit ratio trend is increasing and totaled 72 percent at June 30, 2002.

FNB's ratio compares favorably with other community banks of similar size (total assets of \$35 million to \$145 million). FNB ranks third among a total of 4 similarly situated banks located in the assessment area. The three other banks had an average net loan-to-deposit ratio averaging 77 percent and ranging from 50 percent to 101 percent over the 18 quarters from March 31, 1998 to June 30, 2002.

### Lending in Assessment Area

Based on a sample of 20 commercial and 20 residential real estate loans, FNB originates a reasonable number of its loans to borrowers located within its defined assessment area. Of loans originated from January 1, 1998 to September 30, 2002, about 73 percent by number and 57 percent by dollar volume were made to businesses and individuals located within the bank's assessment area. The following table shows loans originated inside the assessment area by number and dollar volume:

<b>Lending in Assessment Area by Number and Dollar Amount</b>				
Type of Loan	Number	Percent of Number	Dollars	Percent of Dollars
Commercial	16	80%	\$727,207	51%
Residential RE	13	65%	\$753,486	64%
<b>Totals</b>	<b>29</b>	<b>73%</b>	<b>\$1,480,693</b>	<b>57%</b>

Source: Bank records (verified by examiners)

Due in part to local competition and limited loan demand for residential real estate loans in the bank's assessment area, a significant amount of residential real estate loans are originated at the bank's loan production office, which is located outside of the assessment area. Both community contacts indicated that there are no unmet credit needs within the community.

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

Overall, FNB has an excellent distribution of credit among individuals of different income levels and businesses of different sizes.

Residential real estate lending activity in the assessment area is excellent. FNB originated 423 residential real estate loans totaling \$31 million between January 1, 1998 and September 30, 2002. Examiners sampled 25 loans to residential real estate borrowers originated in the assessment area from January 1, 2000 through September 30, 2002. The following table compares the bank's residential real estate lending activity by borrower income level to community demographics.

<b>Borrower Distribution of Residential Real Estate Loans by Income Level</b>			
<b>Borrower Income Level</b>	<b>Number</b>	<b>Percent of Number</b>	<b>Percent of Families in Each Category</b>
Low	2	8%	16%
Moderate	7	28%	21%
Middle	10	40%	29%
Upper	6	24%	34%
<b>Totals</b>	<b>25</b>	<b>100%</b>	<b>100%</b>

Source: Bank records (verified by examiners) and U.S. Census Demographic Data (1990)

The demographics of the assessment area show that 21 percent of families are in the moderate-income category and 16 percent in the low-income category. As shown in the above table, FNB's distribution of lending to moderate-income borrowers exceeds the percentage of families in the assessment area with moderate incomes. Our sample indicates that only 8 percent of the residential real estate loans were made to low-income families. The percentage of families below poverty level is 8 percent and those families would have difficulty purchasing homes. Taking this into consideration, the bank's penetration of lending to low-income families is reasonable. Both our community contact and bank personnel indicated that the bank continues to explore opportunities to assist with affordable housing needs, including government guarantee programs.

Commercial lending activity in the assessment area (100% of our sample) exceeds community demographics of 94% for businesses with revenues less than \$1MM. FNB originated 242 commercial loans totaling \$18.7 million between January 1, 1998 and September 30, 2002. The largest number of loans in the assessment area was originated to small businesses with less than \$100,000 in annual revenues. Examiners sampled 20 loans to commercial and commercial real estate borrowers originated in the assessment area from January 1, 2000 through September 30, 2002. The following table compares the bank's commercial lending activity by revenue size to community demographics.

<b>Borrower Distribution of Commercial Loans by Revenue Size</b>			
<b>Annual Gross Revenue</b>	<b>Number</b>	<b>Percent of Number</b>	<b>Demographic Data on Area Businesses</b>
<\$50,000	5	31%	94%
\$50,000-\$100,000	6	38%	
\$100,000-\$250,000	2	13%	
\$250,000-\$500,000	1	6%	
\$500,000-\$1,000,000	2	13%	
>\$1,000,000	0	0%	6%
<b>Totals</b>	<b>16</b>	<b>100%</b>	<b>100%</b>

Source: Bank records (verified by examiners) and U.S. Census Business Demographic Data (1990)

We did not perform a review of FNB's agricultural or consumer lending activity by borrower income, as these are not major product lines for the bank. FNB originated 215 agricultural loans totaling \$9.6 million between January 1, 1998 and September 30, 2002. FNB originated 721 consumer loans totaling \$6.6 million during the same period of time.

### **Geographic Distribution of Loans**

Analysis of lending by geographic distribution is not meaningful. The assessment area contains only middle- and upper-income geographies.

### **Responses to Complaints**

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

### **Fair Lending Review**

An analysis of 1998-2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 1998.