



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

February 8, 1999

Community Reinvestment Act Performance Evaluation

**Union National Bank
Charter Number 20939**

**793 Main
Anita, Iowa 50020**

**Office of the Comptroller of the Currency
Omaha North Field Office
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154**

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

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Union National Bank**, Anita, Iowa prepared by The Office of the Comptroller of the Currency, as of February 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated Satisfactory.

The bank's lending level is reasonable, given the institution's size, financial condition, and assessment areas credit needs. A substantial majority of the bank's loans are within the bank's assessment areas. The bank is lending to individuals of different income levels and does an effective job of lending to farms of different sizes. The bank's geographic distribution of loans is reasonable. Examiners did not detect illegal discrimination or disparate treatment of applicants. The bank has no written complaints related to their CRA performance.

Description of Institution

Union National Bank (UNB), Anita, Iowa is a \$42 million bank with offices in Cass and Woodbury counties in Iowa. The main office is located in Anita and is readily accessible to all Anita residents. The bank's branches are in Correctionville and Massena, Iowa. Cornbelt Bancorporation, a one bank holding company, controls 98.6% of the bank's stock. The bank has no legal or financial impediments limiting its ability to meet the area's credit needs.

On December 31, 1998, the bank's loan portfolio was 76% of total assets. The bank's primary product is agricultural loans. The loan portfolio is 61% agricultural, 20% commercial, 11% residential real estate, 5% consumer, and 3% other loans. Our conclusions are based on an analysis of the bank's agricultural lending and its primary consumer product, residential lending.

Union National Bank's CRA performance was rated "Satisfactory" at the last CRA examination dated May 6, 1996.

Description of Union National Bank's Assessment Areas

UNB's Assessment Areas (AA) meet the requirements of CRA. UNB has two AA. The Anita and Massena offices are in the Anita AA and the Correctionville area is the second AA. The Anita AA includes all Block Numbering Areas (BNA) in Adair, Adams, and Audubon Counties, and the north 1/3 and west 1/3 of Cass County, including Atlantic, Iowa. The Correctionville AA consists of the eastern portion of Woodbury County, all BNA in Ida County and the two southern BNA in Cherokee County, Iowa. All the BNA are contiguous. The population in the two AA is 47,255. All six BNA in the Correctionville area are middle-income tracts. Eight BNA in the Anita AA are middle-income tracts. Three Anita AA tracts, the northern 1/2 of Cass and Adams Counties, and the southern 1/3 of Audubon County, are moderate-income tracts.

The two AA were considered as one AA for analysis purposes. Both AA are primarily agricultural tracts. Most farms in each area are small or moderate in size. Each area has several small communities. The communities of Anita, Atlantic, Audubon, Adair, Bridgewater, Corning, Cumberland, Exira, Greenfield, and Massena are in the Anita AA. The communities of Correctionville, Anthon, Cushing, Holstein, Ida Grove, Quimby, and Washta are in the Correctionville AA. Each community, except Atlantic and Ida Grove, has a population below 2,000. The AA's population is divided evenly between rural areas and small communities.

The 1998 Iowa state-wide median family income is \$41,200. Family incomes in the AA are 21% low-income, 22% moderate-income, 26% middle-income, and 31% upper-income. The main sources of employment are provided by agriculture and agricultural related businesses.

(Continuation: Description of Union National Bank's Assessment Areas)

The banking environment in the AA is competitive. Twenty-five banks provide competition for loans and deposits in the AA. Also, the Farm Service Agency provides competition for agricultural loans. The primary credit needs of the AA are agricultural, while secondary credit needs are residential home loans and small business loans. We determined the credit needs of the AA by contacting the Anita City Attorney and the President of the Correctionville Chamber of Commerce.

Conclusions with Respect to Performance Criteria

The bank’s lending levels are reasonable.

UNB’s net loan-to-deposit ratio is reasonable, given the institution’s size, financial condition, and AA credit needs. UNB’s loan-to-deposit ratio averaged 85.0% over the past ten quarters and had grown to 98.6% as of September 30, 1998. The average loan-to-deposit ratio for the comparable banks is 69.% and they ranged from 31.3% to 91.8%. The bank’s quarterly average of 85.0% is 15% above the average ratio of comparable banks we reviewed. The AA contained four banks with low loan-to-deposit ratios. The remaining bank’s had an average ratio of 75.9%.

The bank is lending in the Assessment Area.

UNB originates a substantial majority of its loans within the assessment area. The tables below summarize the degree of the bank’s lending within its assessment area.

ASSESSMENT AREA CONCENTRATION

IN/OUT RATIO FOR AGRICULTURAL LOANS				
	Number of Loans	% of Total Number	\$ of Loans (\$000)	% of Total \$
Inside Assessment Area	35	87.5%	\$3,865	82.1%
Outside Assessment Area	5	12.5%	\$844	17.9%
TOTAL	40	100.0%	\$4,709	100.0%

* Note: Both AA were combined.

UNB originates a substantial majority of its agriculture loans inside the AA. Based on the agricultural loans we sampled, 87.5% of the number of loans, and 82.1% by the dollar volume were in the AA.

(Continuation: The bank is lending in the Assessment Area.)

IN/OUT RATIO FOR HMDA REPORTABLE REAL ESTATE LOANS*

	Number of Loans		% of Total Number		\$ of Loans (\$000)		% of Total \$	
	1997	1998	1997	1998	1997	1998	1997	1998
<i>Inside Assessment Area</i>	46	32	97.9	94.1	\$808	\$721	91.5	79.5
<i>Outside Assessment Area</i>	1	2	2.1	5.9	\$ 75	\$186	8.5	20.5
TOTAL	47	34	100%	100%	\$883	\$907	100%	100%

* These loans include *Home Purchase, Home Improvement, and Refinance* loans for the combined AA.

UNB originates a substantial majority of its residential real estate loans inside the AA. Of the residential loans reported, more than 90% of the number of loans and more than 79% by dollar volume were inside of the AA in both 1997 and 1998.

The bank does an effective job of lending to farms of different sizes and makes loans to individuals of different income levels.

The following tables demonstrate the bank's willingness to make loans to farms of all sizes and individuals of different income levels. We analyzed agricultural and residential loans, the bank's primary commercial and consumer products. The bank's agricultural lending performance was compared to the 1992 Agricultural Census Data prepared by the U.S. Bureau of the Census. The census data showed 88% of farms in the assessment area had sales less than \$250,000. The bank's residential real estate lending performance was compared to the 1990 Census Data prepared by the U. S. Bureau of the Census. The census data shows 42.8% of the families in the assessment area are either low- or moderate-income.

(Continuation: The bank does an effective job of lending to farms of different sizes and makes

loans to individuals of different income levels.)

LOANS TO FARMS OF DIFFERENT SIZES						
Gross Revenue of Farms†	\$ of Loans	% of Total \$ Loans	Number of Loans	% of Total Number	Farms in Area ‡	% of Farms in Area ‡
\$10,000-\$100,000	\$1,383	29.7%	21	55.3%	3,041	60.5%
\$100,001-\$250,000	\$2,019	43.3%	11	28.9%	1,381	27.5%
\$250,001-\$500,000	\$ 816	17.5%	4	10.5%	428	8.5%
over \$500,000	\$ 445	9.5%	2	5.3%	176	3.5%
TOTAL	\$4,663	100%	38*	100%	5,026	100%

* The total does not match the 40 loans sampled. Two borrowers were missing financial information.

† Revenue information taken from latest tax return or the cash flow in each credit file.

‡ Information is from the 1992 U.S. Agriculture Census for counties in the bank's AA.

The bank does an effective job lending to farms of different sizes. The majority of loans originated, 84.2% by number, are to small and moderate-sized farms with sales less than \$250,000. Although, the bank's ratio for lending to small and moderate-sized farms is slightly below the agricultural census ratio of 88%, it is reasonable.

(Continuation: The bank does an effective job of lending to farms of different sizes and makes loans to individuals of different income levels.)

HMDA Lending Activity by Borrower Income Level									
Number and Percent of Loans									
Income Category	1997 Bank Data		1998 Bank Data		1997 Bank Data		1998 Bank Data		% of Families in Income Category Per the Census
	#	# %	#	# %	\$	\$ %	\$	\$ %	
<i>Low-Income Borrowers</i>	8	17.0%	5	14.7%	\$97	11.0%	\$133	14.7%	20.7%
<i>Moderate-Income Borrowers</i>	11	23.4%	12	35.3%	\$191	21.6%	\$223	24.6%	22.1%
<i>Middle-Income Borrowers</i>	17	36.2%	10	29.4%	\$313	35.5%	\$221	24.4%	26.5%
<i>Upper-Income Borrowers</i>	11	23.4%	7	20.6%	\$282	31.9%	\$330	36.3%	30.7%
TOTAL	47	100%	34	100%	\$883	100%	\$907	100%	100%

Sources: FFIEC Aggregate HMDA Data (1997 and 1998), Bank Records (1997 and 1998), and 1990 Census Data, U.S. Bureau of the Census

The bank is lending to individuals of different income levels. The bank originated 40.4% and 50% of its home loans to low- and moderate-income families, in 1997 and 1998 respectively. These lending levels are favorable when compared to the 1990 census data which shows about 42.8% of families are in low- and moderate-income levels.

Other factors indicating the bank's willingness to lend to low- or moderate-income individuals.

In late 1998, the Board approved the expansion of the bank's residential loan program. The bank started offering long-term fixed rate mortgages in January 1999. The loans will be originated by the bank and sold on the secondary through the Iowa Bankers Mortgage Corporation.

Geographic Distribution of Loans

The bank's geographic distribution of loans within the AA is reasonable. Our analysis shows the

bank is making residential loans in moderate-income tracts as well as in middle-income tracts. Three of eleven (27%) BNA in the Anita AA are moderate income. In 1998, the bank originated 22% by number and 40% by volume of its 1-4 family loans in the moderate-income tracts. We did note that 1-4 family loan volume in two of the moderate-income BNA is low. The low 1-4 family loan volume is the result of not having a physical branch location in these BNA. These areas are also served by other financial institutions.

We did not complete an evaluation of the bank's geographic distribution of residential loans for the Correctionville AA. All the BNA in the AA are middle-income tracts. The communities in the AA are small with no predominately low- or moderate-income tracts. A geographic distribution is not meaningful if there are no low- or moderate-income BNA in the AA.

Response to Complaints

The bank received no written complaints related to its CRA performance during the evaluation period.

We did not detect violations of any substantive provisions of anti-discrimination laws or disparate treatment of applicants during our fair lending examination. The bank has satisfactory fair lending policies, procedures, and training programs in place. We did not detect Equal Credit Opportunity Act violations during the examination.