



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**June 07, 2010**

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

United Bank & Trust National Association  
Charter Number 24346

2101 South Center Street  
Marshalltown, Iowa 50158

Office of the Comptroller of the Currency

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

**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 supporting this rating include:

- United Bank & Trust National Association's (UB&T) lending efforts resulted in satisfactory penetration among borrowers of different income levels.
- The bank's loan-to-deposit ratio was reasonable given the bank's size, financial condition, and assessment area credit needs.
- The substantial majority of UB&T's primary loan products were originated within the bank's assessment area.

**SCOPE OF EXAMINATION**

The scope of the CRA examination included the time period of November 8, 2004 to June 7, 2010. Small bank procedures were used to evaluate the bank's performance under the CRA. A full scope review was completed of the bank's CRA activities in the assessment area. We determined UB&T's primary loan product is residential real estate loans. We determined the bank's primary loan type by reviewing all loan originations and purchases from January 1, 2008 to June 7, 2010. During this time period, residential real estate loans represented 48 percent of the total dollar amount and 26 percent of the total number of all loans originated and purchased. We reviewed random samples of residential real estate loan originations and purchases from January 1, 2008 to June 7, 2010 in order to analyze lending within the bank's assessment area and lending to borrowers of different incomes.

**DESCRIPTION OF INSTITUTION**

UB&T is located in Marshalltown, Iowa, in Marshall County. As of March 31, 2010, UB&T had total assets of \$112 million. UB&T is wholly owned by Ames National Corporation, a five-bank holding company with 2009 year-end consolidated assets of \$916 million. As of June 7, 2010, the bank's main office and branch office were located along Center Street in Marshalltown, Iowa. The bank also operated two automated teller machines (ATM), one of which was located at each site. No branches have been opened or closed since the last CRA examination.

The bank offers a full range of deposit and loan products and services. Residential real estate loans are the bank's primary product, with business and consumer lending comprising the bank's other main lending types. The loan portfolio consisted of a small portion of agricultural loans. Within the residential real estate portfolio, the bank originated a large volume of mortgage loans for sale on the secondary market.

As of March 31, 2010, UB&T reported net loans of \$50 million and tier one capital of \$9 million. Net loans represent 45 percent of total assets. The following table summarizes the percentage by loan type originated from January 1, 2008 through June 7, 2010.

<b>Loan Origination Summary by Loan Product Type</b>		
<b>Loan Type</b>	<b>% Originated Loans by Dollar</b>	<b>% Originated Loans by Number</b>
<b>Home Loans</b>	<b>48%</b>	<b>26%</b>
Consumer Loans	7%	40%
Agricultural Loans	4%	2%
Business Loans	32%	16%
Other Loans	9%	16%

*Source: UB&T's Loans Originated Report*

There were no known legal, financial, or other impediments that hampered UB&T's ability to help meet the credit needs of its assessment area. There have not been any significant changes to UB&T's corporate structure, including merger or acquisition activities since the last CRA examination. The bank was rated Satisfactory at its last CRA examination dated November 8, 2004.

## **DESCRIPTION OF UB&T ASSESSMENT AREA**

UB&T designated Marshall County, Iowa as its assessment area. Marshall County is located in rural central Iowa and includes census tracts 9501 through 9510. Two of the ten census tracts were considered upper-income tracts, seven were middle-income tracts, and one was a moderate-income tract. There were no low-income tracts within the assessment area. The assessment area complied with requirements of the regulation and did not arbitrarily exclude any low- or moderate-income area. A map of the assessment area can be obtained from the bank's CRA Public File.

According to the U.S. Census Bureau, the total population of Marshall County was estimated at 39,259 in 2009. The largest city within the county is Marshalltown, with a population of approximately 26,192. The Housing and Urban Development 2009 weighted average median family income for non-metropolitan statistical areas in Iowa was \$56,600. Of the 10,500 families in the assessment area, 16 percent were low-income, 18 percent were moderate-income, 25 percent were middle-income, and 42 percent were upper-income. Seven percent of families in the assessment area were below the poverty level.

The local economy was impacted by the national recession, which began in the second half of 2008. Marshall County's economic activity was centered in the manufacturing sector, which experienced layoffs and decreased production during the recession. Major local employers include JBS Swift & Company, Fisher Controls-Emerson Process Management, and Lennox International, Inc. Prior to the economic downturn, the economy was stable and the unemployment rate in Marshall County was relatively steady at approximately five percent. However, in March 2009 the unemployment rate was seven percent and grew to more than eight percent by March 2010. For comparison, during this same time, the national unemployment rate averaged between

nine and ten percent. Competition from other financial institutions was high in Marshall County. The assessment area was serviced by 11 other financial institutions and three credit unions.

In conducting the evaluation of the bank’s CRA performance, examiners interviewed one community contact in Marshall County. The contact represented a local non-profit housing organization. The contact stated that the overall economic conditions in the area were relatively stable, with some recent retraction due to the national economic downturn. The contact revealed home loans as the primary credit need for the area. Additionally, business and consumer loans were also identified as credit needs. The contact noted that the local institutions were good at helping to support the needs of the community and was not aware of any unmet credit needs in the assessment area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

UB&T’s performance under the lending test is satisfactory. All criteria of the lending test are discussed below.

**Loan-to-Deposit Ratio**

UB&T’s loan-to-deposit ratio was reasonable given the bank’s performance context. The bank’s loan-to-deposit ratio averaged 69 percent over the last 23 quarters. The quarterly ratio ranged from 55 percent to 81 percent during the timeframe. This was below the average loan-to-deposit ratio of five similarly-situated banks in the assessment area of 88 percent. The average loan-to-deposit ratio for the similarly-situated banks ranged from 54 percent to 104 percent. However, UB&T’s loan-to-deposit ratio does not include the large volume of home loans originated and sold to the secondary market during the evaluation period. Had these loans been retained in-house, the bank’s loan-to-deposit ratio would be comparable to the average loan-to-deposit ratio for the similarly-situated banks.

**Lending in Assessment Area**

UB&T originated a substantial majority of its loans within the assessment area. We reviewed a sample of residential real estate loans to determine the bank’s lending performance to homeowners within the assessment area. Our sample showed 93 percent by dollar amount and 90 percent by number were located within UB&T’s assessment area. All loans sampled were originated within the evaluation period. The following table shows the level of lending within the bank’s assessment area.

<b>Table 1 - Lending in the Marshall County AA</b>										
Loan Type	Number of Loans					Dollars of Loans (\$000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	18	90%	2	10%	20	\$2,739	93%	\$204	7%	\$2,943

Source: Sample of loans from January 1, 2008 to June 7, 2010

### Lending to Borrowers of Different Incomes

The distribution of home loans to borrowers reflected reasonable penetration among borrowers of different income levels. Our sample showed the bank originated 20 percent of home loans to moderate-income borrowers, while demographic data shows nearly 18 percent of families are moderate-income in Marshall County. Although our sample did not reflect any loans to low income individuals, this is mitigated by the fact that seven percent of families are below poverty levels and would have difficulty qualifying for a residential mortgage loan due to their limited income. We also reviewed the bank’s denied applications and found that all low-income applicants did not qualify for home loans for valid reasons, such as poor credit history, insufficient collateral, and insufficient income for the amount requested. The following table shows the distribution of residential real estate loans.

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
Home Loans	15.8%	0%	17.6%	20.0%	25.0%	20.0%	41.6%	60.0%

Source: Sample of loans from January 1, 2008 to June 7, 2010; 2000 U.S. Census data

### Geographic Distribution of Loans

The bank’s geographic distribution of home loans in this assessment area reflected poor dispersion throughout census tracts of different income levels. More than seven percent of owner occupied units in the assessment area are in the moderate-income census tract. Our sample of 20 home loans did not include any loans to borrowers living in the moderate-income census tract. However, more weight was placed on the borrower distribution analysis due to the limited number of low- and moderate-income census tracts within the assessment area. Following is a table that details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

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
Home Loans	0%	0%	7.7%	0%	63.7%	30.0%	28.6%	70.0%

Source: Sample of loans from January 1, 2008 to June 7, 2010; 2000 U.S. Census data

### Responses to Complaints

The bank has not received any complaints regarding their CRA performance. Also, the Office of the Comptroller of the Currency has not received any complaints regarding the bank’s CRA performance.

## **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.