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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

*October 20, 1997*

### **Community Reinvestment Act Performance Evaluation**

**THE CATTLE NATIONAL BANK OF SEWARD  
Charter Number 13431**

**104 South Fifth Street  
Seward, Nebraska 68434**

**Office of the Comptroller of the Currency  
Omaha South 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 The Cattle National Bank of Seward, Seward, Nebraska prepared by The Office of the Comptroller of the Currency, as of October 20, 1997. 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.

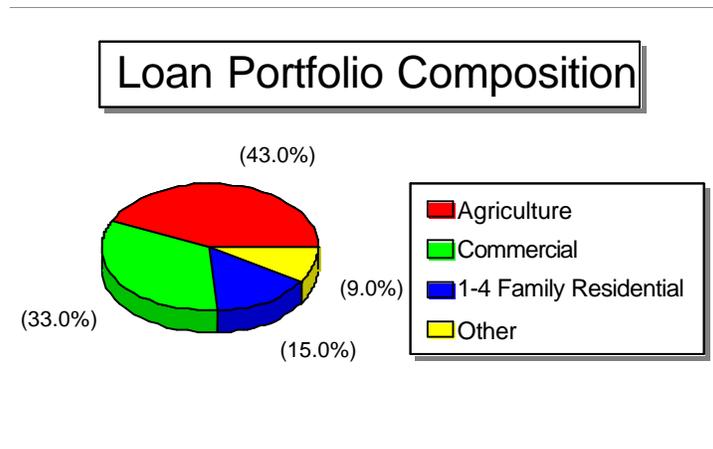
**Institution's CRA Rating:** This institution is rated "**Satisfactory.**"

The Cattle National Bank of Seward (CNB) satisfactorily meets the credit needs of its assessment area. The bank's primary lending activities are centered around agricultural, commercial, and residential real estate loans. CNB's average loan-to-deposit ratio over the past ten calendar quarters is reasonable, but well below competing banks' ratios during the same time period. The bank has a good record of originating loans in the assessment area. In addition, the bank has a satisfactory record of lending to individuals of different income levels and to agricultural and commercial operations of different sizes.

## Description of Institution

CNB is a \$90 million financial institution located in east-central Nebraska. The bank is the fifth largest financial institution in its assessment area. Cattle Crossing, Inc., a one bank holding company, owns 97% of the outstanding shares of the bank. CNB has one full-service facility, one deposit service location, one full-service automated teller machine (ATM), and five cash dispensing ATMs. All facilities and ATMs are located in the assessment area.

The following table displays CNB's loan portfolio composition as of June 30, 1997:



CNB received an outstanding rating during its previous CRA examination prepared as of August 26, 1994. There are no legal or financial impediments on the bank's ability to meet the credit needs of its assessment area.

## Description of the Assessment Area

CNB has designated all of Seward and York Counties, and portions of Butler, Lancaster, and Saline Counties as its assessment area. All counties are located in Nebraska. The assessment area consists of ten block numbering areas (BNAs) and two census tracts. The two census tracts are located in the Lincoln Metropolitan Statistical Area (LMSA). Nine BNAs and both census tracts are middle income. One BNA is upper income. The inflation adjusted 1997 median family income is \$37,100 and \$49,100 for non-metropolitan statistical areas and the LMSA, respectively. Based on 1990 census data, the population of the assessment area is 40,994. Median housing values for the assessment area are \$42,883 and \$62,021 for non-metropolitan statistical areas and the LMSA, respectively. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The following table illustrates the number and percentage of families in each income category in the bank's assessment area. The data is based on the 1990 median family census income of \$27,623 for non-metropolitan statistical areas and \$36,467 for the Lincoln Metropolitan Statistical Area.

<b>Families by Income Category</b>		
<b>Income Category</b>	<b>Number</b>	<b>Percentage</b>
Low Income	1,330	12%
Moderate Income	1,874	17%
Middle Income	2,960	27%
Upper Income	4,931	44%

The economy of the assessment area is driven largely by agriculture, but does include some diversification in manufacturing and other businesses. Major employers include Metromail Corporation, Walker Manufacturing Company, Seward Motor Freight, and Concordia College.

The bank faces strong competition from eight commercial banks and a branch of a larger bank headquartered in Lincoln, Nebraska.

Discussions with local realtors and community development leaders revealed a need for low down payment, long-term, fixed rate housing loans. CNB offers products suited to community credit needs and has a reasonable record of originating housing loans to different family income levels. Also, CNB's focus on agricultural lending is consistent with the needs of the assessment area.

## **Conclusions with Respect to Performance Criteria**

### **Lending in the Assessment Area**

CNB originates a substantial proportion of its loans in the assessment area. The bank's June 30, 1997 analysis of all outstanding loans revealed 88% and 78% of number and dollar volume, respectively, were originated in the assessment area. Examiner loan samples support this analysis. CNB originated 28 residential real estate purchase, refinance, or construction loans from January 1997 through August 1997. Of the 28 loans originated, 93% of the number and 92% of the dollar volume were written in the assessment area. Examiners sampled 48 agricultural and commercial loans originated from January 1997 through September 1997. Of the 48 loans sampled, CNB originated 83% of the number and 89% of the dollar volume in the assessment area.

### **Loan-to-Deposit Ratio**

CNB's average loan-to-deposit ratio over the past ten quarters is satisfactory, however, it is the lowest of all financial institutions chartered in the bank's assessment area. The bank's average loan-to-deposit ratio over the past ten quarters is 57%. The ten quarter average of all banks in CNB's assessment area is 71%, with a range of 57% to 81%.

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

CNB has a satisfactory record of lending to individuals of different income levels and to farms and businesses of different sizes. The loan portfolio is reasonably balanced in relation to the demographics of the assessment area and reflects the bank is meeting most identified housing credit needs. The bank began offering fixed rate, long-term residential real estate loans to be sold on the secondary market in October 1996. As of September 30, 1997, the bank has originated nine loans totaling \$690,500 under the secondary market program.

The bank's record of lending to individuals of different income levels is displayed in the

following table. CNB originated 28 residential real estate purchase, refinance, or construction loans totaling \$2.2 million over the past eight months. The table below represents all 28 residential real estate loans originated from January 1997 through August 1997. This analysis reveals the bank is under represented in the “low-income” category, but is satisfactorily represented in the “moderate-income” category.

<b>Residential Real Estate Loans</b>				
<b>Income Levels of the Assessment Area</b>	<b>% of Households</b>	<b>% of Families</b>	<b>Real Estate Loans % by Number / % by Dollar</b>	
Low	16%	12%	0%	0%
Moderate	15%	17%	18%	9%
Middle	21%	27%	25%	22%
Upper	48%	44%	57%	69%

Since 1994, CNB has participated in the Seward County Housing Corporation’s First Time Home Buyer Program. This program provides subsidized down payments for applicants with qualifying maximum incomes. Under this program, CNB has financed 19 residential real estate construction loans, totaling \$746,000, and provided the permanent financing for 7 homes, totaling \$277,000. Applicants for this program generally meet the “moderate-income” or “middle-income” guidelines defined in the Community Reinvestment Act.

The following table displays the results of a sample of 48 agricultural and commercial operating loans originated from January 1997 through September 1997. This sample represents 25% of the number of borrowers with operating loans originated during that time period. The table portrays the bank’s record of lending to farms and businesses of different sizes in comparison to all farms and businesses reporting gross annual revenue in the bank’s assessment area.

<b>Agricultural/Commercial Operating Loans</b>
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<b>Annual Gross Revenue (000)</b>	<b>% of Number of Businesses/Farms Reporting in Revenue Range</b>	<b>% of Number Made in Revenue Range</b>	<b>% of Dollar Volume Made in Revenue Range</b>
< 500	82%	77%	48%
500 - 999	7%	15%	16%
> 1,000	11%	8%	36%

CNB is a certified or approved lender under several government loan programs. CNB is a Certified Lender under the Farm Service Agency Guaranteed Farmer Loan Program. In addition, CNB is an Approved Lender under both the Guaranteed Rural Housing Loan Program and the Small Business Administration's Low-Documentation Program.

Information obtained from the Farm Service Agency (FSA) revealed that during 1996, CNB was the leader in both Seward and Butler Counties in dollar volume originations of FSA guaranteed loans. Of seven financial institutions originating FSA guaranteed loans in Seward County during 1996, CNB originated 35% or \$1.2 million. Of eight financial institutions originating FSA guaranteed loans in Butler County during 1996, CNB originated 21% or \$420,000.

During 1996, CNB was instrumental in obtaining a United States Department of Agriculture Business and Industry Loan Guarantee for a new local grocery store. CNB has begun funding its commitment for the entire amount needed for construction and will finance the permanent loan.

### **Geographic Distribution of Loans**

Nine of the BNAs and both census tracts in CNB's assessment area are middle income. One BNA is upper income. Therefore, specific analysis of the geographic distribution of loans is not meaningful. We note from management's June 30, 1997 analysis that the bank's loans are distributed in proportion to the population in the entire assessment area.

### **Response to Complaints**

The bank received one consumer complaint since the last CRA examination regarding its CRA performance. Management responded appropriately to the complaint.

### **Record of Compliance with Antidiscrimination Laws**

Examiners did not identify any violations of antidiscrimination laws or regulations, or disparate treatment of loan applicants.