



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 22, 2002 

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Akron
Charter Number 7322**

**251 Reed Street
Akron, Iowa 51001**

**Comptroller of the Currency
Omaha North 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.

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INSTITUTION'S CRA RATING

This institution is rated Outstanding.

The First National Bank of Akron (FNBA) does an excellent job of meeting the credit needs of its assessment area. The bank's primary lending activities are to agricultural and consumer borrowers.

- FNBA's lending level is excellent, given the institution's size, financial condition, and the assessment area's credit needs.
- A majority of the bank's loans are within the assessment area.
- Lending to borrowers of different income levels and farms of different sizes is excellent.
- FNBA offers several different flexible lending programs to assist low- and moderate-income borrowers.
- Bank employees serve in leadership roles within the community.

DESCRIPTION OF INSTITUTION

FNBA is a \$38 million bank located in Plymouth County in northwestern Iowa. The bank is 100% owned by Security National Corporation, a \$799 million, six-bank holding company located in Sioux City, Iowa. FNBA's main office is located in Akron, Iowa. The bank does not have any branch locations or deposit-taking automated teller machines. The bank's corporate structure has not changed since the last Community Reinvestment Act (CRA) examination.

FNBA offers traditional loan and deposit products. As of June 30, 2002, the bank's loan portfolio totaled 75% of total assets. The bank's primary credit products are agricultural and consumer loans based on the number and dollar amount of originations. The loan portfolio consisted of 31% residential real estate, 27% agricultural, 27% consumer, and 15% commercial loans based on outstanding dollars.

FNBA has no legal or financial impediments, which prevent it from fulfilling its obligation under the CRA. FNBA was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination dated February 23, 1998.

DESCRIPTION OF ASSESSMENT AREA

FNBA's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank's AA consists of four contiguous block numbering areas (BNAs). The bank's AA consists of BNAs 9703 and 9706 in Plymouth County, Iowa and BNAs 201 and 202 in Union County, South Dakota. All four BNAs are middle-income geographies. Individuals can refer to the bank's CRA Public File for a map outlining the bank's AA.

According to the 1990 U.S. Census, the total population of the AA is 14,681. The 1990 U.S. Census estimated 16% of families in the AA were low-income, 17% moderate-income, 25% middle-income, and 42% upper-income. The 2001 weighted average updated median family income is \$45,900 for non-metropolitan statistical areas in Iowa. Thirteen percent of the AA households are below the poverty level. The median housing value in the AA is \$40,532 and 69% of housing is owner-occupied.

The local economy is stable to slightly declining. Agriculture, the local school, Heyl Trucking, and Higan Sand and Gravel provide the main employment sources in the community. There are 18 other financial institutions with branches within Plymouth and Union counties. These institutions provide the primary competition to FNBA. These institutions range in size from approximately \$15 million to \$8.7 billion in total assets.

Examiners made two community contacts with city officials during the CRA examination. Community contacts revealed that consumer and small business loans are the primary credit needs within the community. FNBA offers and originates these types of loans. Both community contacts felt that the credit needs of the community were being met.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNBA's average lending level is excellent. This is based on the bank's loan-to-deposit (LTD) ratio, size, financial condition, and the AA credit needs. FNBA's June 30, 2002 net LTD ratio was 89%. FNBA's quarterly average LTD ratio for the 18 quarters ending June 30, 2002 was 84%. The bank's average LTD ratio is higher than the average LTD ratio of eight similarly situated banks in the AA. The eight similarly situated banks have an 18-quarter average LTD ratio of 78%, and a range of 64% to 95%. All banks in Plymouth and Union Counties, with reasonably similar asset sizes and a reasonable proximity to the bank, were used as similarly situated banks for comparison. The similarly situated banks range in size from \$15 million to \$157 million in total assets.

Lending in Assessment Area

FNBA originates a majority of its loans within the AA. We selected a sample of 20 agricultural and consumer loans originated between February 24, 1998 and September 30, 2002. The sample was reviewed to determine if loans originated to farms and individuals were within the bank's AA.

We found that 15 loans, or 75% of agricultural and consumer loans, were made in the AA. Also, \$575,105, or 93% of loan volume, was in the AA.

LENDING WITHIN THE ASSESSMENT AREA				
	# of loans	% of total #	\$ of loans	% of total \$
Inside AA	15	75%	\$575,105	93%
Outside AA	5	25%	\$41,060	7%
Totals	20	100%	\$616,165	100%

Lending to Farms of Different Sizes and Borrowers of Different Incomes

FNBA has a good record of lending to agricultural borrowers of different sizes. We reviewed a sample of 20 agricultural loans totaling \$651,310 in loan volume to determine the bank's lending to farms of different sizes. All of the loans in this sample were located in the AA and were originated between January 1, 2000 and September 30, 2002.

A significant majority of the bank's lending was to borrowers with small- to moderate-sized operations, those with less than \$250,000 in gross annual revenue. Loans to small- and moderate-sized operations were 95% by number and 93% by dollar volume. The bank's lending compared favorably to the 1997 Census of Agricultural data, which shows that 85% of AA farms had annual revenues less than \$250,000.

The following table shows the breakdown of loans to farms as compared to the AA demographics.

LOANS TO FARMS OF DIFFERENT SIZES					
Gross Revenue of Farms	# of loans	% of total #	\$ of loans	% of total \$	% of Farms in AA
< \$99,999	10	50%	\$82,616	13%	58%
\$100,000 - \$249,999	9	45%	\$520,525	80%	27%
\$250,000 - \$499,999	0	0%	\$0	0%	10%
> \$500,000	1	5%	\$48,169	7%	5%
Total	20	100%	\$651,310	100%	100%

FNBA has an excellent record of lending to individuals of different income levels. We reviewed

a sample of 20 consumer loans totaling \$177,580 in loan volume to determine the bank's lending to individuals of different incomes. All of the loans in this sample were located in the AA and were originated between January 1, 2000 and September 30, 2002. FNBA originated 70% of its loans by number and volume to low- and moderate-income borrowers, while only 35% of the AA households were low- or moderate-income.

The following table shows the breakdown of loans to individuals as compared to the AA demographics.

LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS					
Income Level	# of loans	% of total #	\$ of loans	% of total \$	% of Households in AA
Low	5	25%	\$33,922	19%	21%
Moderate	9	45%	\$91,173	51%	14%
Middle	5	25%	\$48,131	27%	20%
Upper	1	5%	\$4,354	3%	45%
Total	20	100%	\$177,580	100%	100%

Geographic Distribution of Loans

All four BNAs within the AA are middle-income. Therefore, specific analysis of geographic distribution is not meaningful.

Community Development Loans

The bank originated one community development loan during the evaluation period. This loan is a \$150,000 line-of-credit to finance the construction of a non-profit childcare facility in the community. The childcare facility primarily benefits low- and moderate-income individuals by using income restriction guidelines.

Community Development Services

Two bank employees served in leadership roles within the community. An officer serves as the President of a local development corporation. The officer was a founding member of the corporation, which was developed in 2002. Another officer serves as the Board President for a local childcare center. This organization provides childcare to low- and moderate-income families. On an ongoing basis, employees provide leadership to these organizations by providing financial service expertise.

Other CRA Activities

During the evaluation period, FNBA participated in flexible loan programs to help meet the credit needs of low- and moderate-income borrowers. In 2002, FNBA began participating in the Federal Home Loan Bank of Des Moines' Rural Homeownership Fund. This program provides up to \$5,000 in grant assistance to low- and moderate-income, first-time homebuyers for down payment and closing cost assistance. The bank originated four loans totaling \$241,100 under this program. Borrowers received \$12,500 in grants under this program.

The bank also participates in loan programs offered through the Iowa Finance Authority (IFA). IFA's loan programs provide financing to qualified low- and moderate-income borrowers. The programs include reduced interest rates and lower down payment requirements than traditional mortgage loan programs. During 2001 and 2002, FNBA originated four IFA loans totaling \$248,900 and four grants totaling \$4,000.

Responses to Complaints

The Office of the Comptroller of Currency (OCC) and the bank have not received any complaints regarding the bank's CRA performance since the last CRA examination dated February 23, 1998.

Fair Lending Review

An analysis of 1999 through 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on the analysis of this information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.