



Comptroller of the Currency
Administrator of National Banks

St. Louis Duty Station
12312 Olive Blvd., Suite 650
St. Louis, Mo 63141

PUBLIC DISCLOSURE

March 17, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Audrain County
Charter Number 2881**

**203 E. Liberty Street
Mexico, Missouri 65265**

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 Comptroller of the Currency 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 Community Reinvestment Act (CRA) performance of the **First National Bank of Audrain County (FNBAC)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 17, 1997. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated “**Outstanding Record of Meeting Community Credit Needs.**”

This report evaluates CRA performance for calendar years 1995 and 1996 with respect to mortgage loan products and only calendar year 1996 for small business and small farm loans.

We rated the FNBAC “Outstanding” because:

- o the bank showed excellent responsiveness to its community credit needs and made a substantial majority of its loans in its assessment area (AA);
- o the geographic distribution of the bank's loans reflected thorough penetration in the AA;
- o the distribution of the bank's loans reflected an equitable representation of borrowers based on their income levels and to small businesses and small farms of all revenue sizes;
- o the bank originated a high level of community development loans;
- o the bank had an adequate level of qualified community development investments and grants; and
- o the bank's branches were readily accessible with extensive services and products.

The following table indicates the performance level of the First National Bank of Audrain County with respect to the lending, investment, and service tests.

Performance Levels	First National Bank of Audrain County Performance Tests		
	Lending Test	Investment Test	Service Test
Outstanding	X		X
High Satisfactory			
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution:

The bank has assets of \$101 million as of December 31, 1996 and is part of a multiple bank holding company, Central Banccompany Inc., with total assets of approximately \$3.4 billion. The bank is located in Mexico, Missouri, a town of 12,000 people. Branches are located 10 miles northeast in Laddonia and 20 miles northeast in Vandalia. Since the last examination, the bank purchased the Laddonia State Bank and closed a small branch of that bank in Farber, Missouri. The Laddonia State Bank had approximately \$35 million in assets when purchased.

There are no impediments which would hamper the bank’s ability to meet the credit needs of its community. The loan to deposit ratio was 78.3% as of December 31, 1996 with gross loans representing 68% of total assets. Real estate loans represent 72% of gross loans and the remaining are equally distributed between commercial, agricultural, and individual loans.

Description of Assessment Area (AA):

The bank has chosen the political subdivision of Audrain County as its AA. Audrain County is in a rural, non-metropolitan area of the state. Mexico is the county seat of Audrain County and contains about 50% of the population. The primary business of Audrain County in terms of dollar volume is agriculture; however, health services and manufacturing are the principal industries in Mexico.

The AA contains seven Block Numbering Areas (BNAs), four of which are in the city of Mexico. The AA contains four middle-income and three upper-income BNAs. The 1996 statewide non-Metropolitan Statistical Area median family income is \$30,100. The 1990 Census revealed that the family income distribution is 16.52% low-, 14.36% moderate-, 22.46% middle-, and 46.66% upper-income. The total population of the AA according to the 1990 Census is 23,599. 15% of households live below the poverty level and 26% of occupied housing units are rental units.

We contacted two community representatives during our review. We interviewed a representative of the Mexico Area Chamber of Commerce (Chamber). The Chamber addresses economic development of small businesses in the Mexico area. The Chamber described Mexico as being in good economic condition and growing. The Chamber did not identify any existing credit needs of any low- or moderate-income areas or individuals. The Chamber mentioned a low- to moderate-income project that was completed but it is having problems qualifying people to live there. Families with dual income will more than likely be over the income limitation.

We also interviewed an Audrain County Commissioner. The Commissioner is also on the board of the Human Development Corporation (HDC) which addresses community housing needs including low- and moderate-income housing as well as youth programs. The Commissioner described the area as being in good to fair economic condition with room for growth. He believes the number one community need right now is housing in the \$60,000-\$80,000 range to support the 400+ jobs which will be created in Vandalia with the opening of the new prison. Also in Vandalia, a 30-unit multifamily housing project is being planned. FNBAC is the only financial institution involved in the project.

Conclusions with Respect to Performance Tests:

We reviewed small business, small farm, and mortgage loans that originated in 1996. The bank is not a Home Mortgage Disclosure Act reporter. CRA requires the bank to track lending to small businesses and small farms beginning January 1, 1996. We chose to review mortgage loans because they are the bank's primary product line and represent a large majority of the loan portfolio.

LENDING TEST

Lending levels at FNBAC reflect outstanding responsiveness to AA credit needs. The bank's average loan to deposit ratio for the last three year-ends is 82%. The bank has been able to sustain this high loan to deposit ratio by concentrating its efforts on lending. The two other chartered financial institutions in the bank's AA, Martinsburg Bank and Trust and Boatmen's Bank of Vandalia, had loan to deposit ratios of 75% and 49%, respectively. The 15 state and nationally chartered banks located in Audrain and four surrounding counties (Monroe, Pike,

Ralls, and Randolph) had an average loan to deposit ratio of 67% at September 30, 1996.

Lending Activity

The bank is the leader in real estate activity in Audrain County. The bank filed 274 deeds of trust or 35% of all deeds filed in Audrain County in 1996 and 288 deeds or 42% in 1995.

This is significant considering the strong competition for loans. Intense competition is provided by a savings and loan, two branches of large regional banks, two credit unions, and a state bank. 1-4 family residential real estate loans represent 48% of the bank's loan portfolio. This compares extremely well to an average of 29% for the 15 state and national banks located in a five county area (Audrain, Monroe, Pike, Ralls, and Randolph).

The bank also participates in various government loan programs such as Farmers Home Administration (FmHA) and Federal Housing Administration (FHA) as well as selling mortgage loans to Federal National Mortgage Association (FNMA). The bank participates in affordable housing programs targeted to low- and moderate-income borrowers such as the first time home buyer program through FmHA. This program allows borrowers to obtain financing for 100% of the home purchase price paying only the closing costs. These loans are 90% guaranteed by FmHA and have more flexible debt ratios. The bank underwrites loans made through this program to meet FNMA guidelines to be sold in the secondary market. However, the bank does make some loans that do not meet FNMA guidelines and keeps them in the loan portfolio up to an aggregate internal limit of \$300,000.

The bank has originated a large volume of small business and small farm loans. The bank makes loans guaranteed by the Small Business Administration (SBA) and participates in the Missouri First program (formerly MOBUCKS) targeted to small business and farm customers. The following chart represents the significant number and dollar volume of small business and farm loan originations in 1996 and mortgage loan originations in 1995 and 1996.

Loan Type	1995 Number	1995 \$ in 000's	1996 Number	1996 \$ in 000's
Small Business	*	*	165	\$7,004
Small Farm	*	*	221	\$5,346
Mortgage**	196	\$9,029	204	\$9,862
Totals	196	\$9,029	590	\$22,212

* 1995 small business and small farm loan originations not available.

** These loans exclude second mortgages.

The bank made a total of 386 small business and small farm loans during 1996. 1990 Census data indicated there were 579 small businesses and farms reporting income in the county.

Lending Within the AA

A substantial majority of all loans reviewed were made in the institution's AA. We reviewed all small business and small farm loan originations as well as all originations on the mortgage loan system. Second deeds of trust and mortgage loans originated and paid off in 1996 were not included in the review.

The following table depicts the number and dollar ratio of loans made within the bank's AA for 1996 broken down by loan type.

1996 Originations	% within AA	
	Number	Dollar
Small Business	86.7%	91.8%
Small Farm	87.3%	87.4%
Mortgage	91.2%	92.1%
Totals	88.5%	90.9%

Lending Across Geographies

Based on the loan originations reviewed, the bank's lending activities exhibit good geographic distribution throughout the 7 BNAs. Loan originations are evenly distributed between the BNAs except for BNA #9503 which is the western portion of Audrain County and is primarily farm land. BNA #9503 is also the least populated tract of the county. The following table represents the breakdown of loans made in 1996 by BNA tract.

BNA Tracts	Small Business Loans			Small Farm Loans			Mortgage Loans		
	#	\$	#/%	#	\$	#/%	#	\$	#/%
9501	19	517	13.3	39	773	20.2	38	1170	20.4
9502	17	376	11.9	57	1742	29.5	36	2227	19.4
9503	3	49	2.1	18	637	9.3	5	196	2.7
9504	26	1909	18.2	20	379	10.4	30	1201	16.1
9505	34	796	23.7	34	855	17.6	25	1412	13.4

9506	20	765	14.0	19	233	9.9	24	1418	12.9
9507	24	2021	16.8	6	57	3.1	28	1458	15.1
Totals	143	6433	100	193	4676	100	186	9082	100

Lending to Borrowers of Different Income Levels

The bank does an excellent job of lending to small businesses and small farms of all sizes. Of the small business and small farm loans made, 94% of the loans were under \$100,000, and 97%

of the businesses and farms have revenues under one million. Based on the number of businesses and farms that reported income in the 1990 Census, 92% had revenue less than one million.

Lending to low- and moderate-income borrowers is strong. An analysis of all originations on the mortgage system in the AA for 1996 show that 21% of the loans made were to low- and moderate-income families. This sample does not include loans originated and paid off in 1996. The 1990 Census indicates that 30.1% of the families in Audrain County have low and moderate incomes. While the bank’s percentage of mortgage loans made to low- and moderate-income households does not mirror their makeup of the community, it is important to note the following:

- ▶ 15% of households live below the poverty level. Data shows that households below the poverty level cannot meet banks’ minimum underwriting guidelines or are focussed on other issues rather than home ownership.
- ▶ 26% of occupied housing units are rental units.
- ▶ Bank management and a community contact indicate the most pressing housing need is moderately priced homes.

Bank management indicated homes in the \$60,000 - \$80,000 price range are in increased demand as new and expanding businesses are paying higher wages.

The bank further demonstrates its lending efforts by making a substantial amount of low dollar real estate loans. The median housing value in Audrain County is \$38,000. The bank made 94 mortgage loans (51% of the mortgage loans sampled in the AA) in 1996 for \$40,000 or less. Of these 94 mortgage loans, 34.1% of them were to low- and moderate-income families. The following chart shows mortgage originations in 1996 to borrowers of each income category.

Mortgage Loans Originated in 1996 in AA				
Assessment Area - Audrain County				
Income Level of Borrowers	#	%	\$ 000's	%

Low	15	8.1%	\$458	5.0%
Moderate	24	12.9%	\$650	7.2%
Middle	61	32.8%	\$2,480	27.3%
Upper	84	45.2%	\$5,457	60.1%
Unknown	2	1.0%	\$37	0.4%

Community Development Loans

The bank is a leader in making community development loans. The bank makes every effort to extend community development loans when available. Examples include:

- o The city of Mexico offered a rental rehabilitation program beginning in the summer of 1995. This program targets property for renovation which is ultimately occupied by low- and moderate-income individuals. With this program, banks would make a purchase and/or construction/renovation loan to the borrower. In order to get approval from the city, the property must be in need of major renovations. After the improvements are made to the property, the bank would keep the loan for the purchase price, if the property was purchased, and the city would take a second lien out for the improvements. If the property remained a rental property for at least a seven year period, the city would forgive the second lien. The bank made 7 loans through this program for \$283,229 since the last CRA examination.
- o The bank offers loans through the Missouri First program. This state-wide program offers low interest rates to qualified small businesses and small farms through matching funds the state deposits at the bank. The bank has made 14 loans through the Missouri First program totaling \$993,145 in the last 2 years.

Innovative or Flexible Lending Practices

The bank made an equipment loan to the city of Vandalia for \$143,530. The bank also made a \$650,000 loan commitment to the city of Vandalia for drainage and highway improvements and city sidewalks. The highway improvements are needed before the state will make additional improvements. These infrastructure improvements are needed to revitalize the area helping efforts to attract business. The city of Vandalia is a small portion of a larger middle-income

BNA that the bank considers a lower income area. The bank extended these loans in an effort to revitalize this lower income area which will result in the creation or retention of jobs for low- or moderate-income individuals.

INVESTMENT TEST

The bank has an adequate level of qualified community development investments and donations. The bank makes every effort to make qualified investments in its AA when

opportunities become available. Prior to the last CRA examination, the bank was instrumental in setting up a local community development corporation (CDC) with three other banks and the city of Mexico. The CDC provides seed money to small businesses to help assist in the development of new businesses in the community. Subsequent to the last CRA exam, the bank has increased its 25% share of the local financial institution representation in the CDC to 50%, or \$50,000 by purchasing one of the other banks. Vice President Bunge holds the title of CDC treasurer and is responsible for day to day activities of the CDC. Bank management indicated loan demand has been low. Since the last CRA examination, four loans have been originated totaling approximately \$40,000.

The bank made a \$5,000 donation to the Williams Family Support Center to help build a facility for the purpose of child care and preschool targeted at low- and moderate-income families. This facility offers affordable child care so parents of low- and moderate-income families can keep full time jobs.

SERVICE TEST

Retail Banking Services - The bank's delivery systems are readily available to all portions of the bank's AA. The bank has 3 branches located throughout the AA in Mexico, Vandalia, and Laddonia. The Mexico and Laddonia branches each have 24 hour automatic teller machines (ATMs) which are connected to the Cirrus and Bankmate networks. The bank also offers a 24 hour Info-Line service over the telephone allowing customers to check account balances and cleared checks as well as make transfers and loan payments. Each of the branches is a full service branch offering extended lobby or drive-thru hours.

The bank closed its fourth branch located in Farber in April of 1996. This branch closing did not have an adverse affect on the accessibility of its delivery systems due to the close proximity of the Vandalia and Laddonia locations.

Community Development Services - The bank provides a high level of community development services. The following are examples:

- o The bank has spent a great amount of time working with the Audrain County Commissioner, the Human Development Administration, and FmHA in efforts to bring a state minimal security women's prison to Vandalia which also brings numerous jobs to the area. This will greatly benefit Vandalia, described as a low- or moderate-income area of a middle-income BNA in the community development lending section. These efforts were successful and the bank is now working with the same organizations to put together a 30 unit multi-family affordable housing project to accommodate the expected increase in population in the Vandalia area. The group is still looking for a site that falls within budget constraints. FNBAC is the only financial institution involved in this project.

- o The bank has worked with the city of Mexico to attract new business to the community. The city has borrowed undisbursed money from the state to build 2 different shell industrial buildings. The city constructed these buildings in hopes of making Mexico more attractive to new businesses. The bank provided letters of credit the city used as collateral for the state loan. Both projects were successful in attracting new businesses before the bank was required to fund the letters of credit.
- o The bank works with its private mortgage insurance provider offering a special program where the borrower can go through a self study class and take a test. If the borrower passes the test, he or she would only have to come up with a 3% down payment instead of the 5% normally required with private mortgage insurance.
- o The bank is involved in educating youths through various programs at local schools. The bank sponsors the Dollars and Sense program at the elementary school once a month. This program teaches money management, saving, and many other financial related topics. The bank also sponsors the “Your Checking Account” class offered at the Mexico high school. The class teaches money management and the mechanics of using a checking account. Bank officers appear as guest speakers once or twice a semester. With the success of these programs, the bank will now offer them to other schools in the county.
- o A bank executive lent financial planning services and expertise to Audrain County to help underwrite a bond issue to build a new jail and sheriff’s office.
- o The bank effectively offers a “free” checking account targeted to low- and moderate-income individuals who cannot afford monthly service charges.
- o The bank offers free government check cashing to the public.

The bank exhibits a good responsiveness to credit and community development needs through its normal lending practices (as described in the lending test sections of this report) and by being proactive in its efforts to promote economic development. Bank employees have invested great amounts of time in numerous community organizations to promote community development. As an example, a bank executive serves as chairman of the Mexico Housing Authority, a not-for-profit organization, which provides affordable housing and summer youth programs to qualified low- and moderate-income families in Mexico. The same bank executive also offers financial planning services in evaluating projects and issuing industrial revenue bonds to fund those projects while serving on the board of the Industrial Development Authority. This not-for-profit organization works to attract and maintain light industry in the area. Vandalia Development Board, a not-for-profit organization, uses the financial planning services and expertise of another bank executive in addressing economic needs in the Vandalia area. The executive participated in negotiations bringing a new state prison facility to town.

FAIR LENDING REVIEW

FNBAC is in compliance with the substantive provisions of antidiscrimination laws and regulations. The bank solicits applications from all segments of the assessment area.