



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

February 9, 1998

Community Reinvestment Act Performance Evaluation

*First National Bank in New Hampton
Charter Number 12998*

*22 West Main Street
New Hampton, Iowa 50659*

**Office of the Comptroller of the Currency
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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 **First National Bank in New Hampton** prepared by The Office of the Comptroller of the Currency, as of February 9, 1998. 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."

First National Bank in New Hampton meets the credit needs of its assessment area. The bank's lending efforts result in reasonable penetration of borrowers of different income levels and businesses and farms of varying revenues. A majority of the bank's loans are to borrowers located within its assessment area.

Description of Institution

First National Bank in New Hampton (FNBNH) is a \$48 million financial institution located in northeast Iowa. The bank's main office is a full-service facility located in downtown New Hampton, Iowa. The bank also operates a drive-up/walk-in facility in downtown New Hampton. The bank owns one automated teller machine (ATM) located at a local grocery store on the corner of Linn and Main Street. D&TC, Inc., a one-bank holding company, owns 96 percent of FNBNH's bank stock.

Residential real estate, agriculture and commercial loans represent a majority of the bank's loans. As of December 31, 1997, the bank's loan portfolio totaled \$30.9 million. The portfolio consisted of residential real estate (44%), commercial (26%), agricultural (17%) and consumer loans (13%).

FNBNH received a "Satisfactory" rating for the prior CRA examination. There are no legal or financial impediments which preclude the bank from its obligation under the CRA.

Description of Assessment Area

The bank's assessment area (AA) includes all of Chickasaw County. The AA contains four middle-income Block Numbering Areas (BNAs). The AA does not arbitrarily exclude any low- or moderate-income areas.

The AA is primarily rural, but includes the communities of New Hampton, Alta Vista, Lawler, Bassett, Nashua, North Washington, Ionia and Fredericksburg. New Hampton serves as the county seat. The population of the AA is 13,295 according to the 1990 Census. Agricultural operations and related businesses contribute significantly to the local economy. Manufacturing and services also contribute significantly to the economic viability of the AA.

The 1997 statewide non-metropolitan median family income for Iowa is \$39,200. The 1990 Census categorizes the distribution of families by income level within the AA as 16% low-, 21% moderate-, 29% middle-, and 34% upper-income. The 1990 Census reports 3,684 families within the AA.

The AA's primary credit needs are loans for agricultural and housing. A community member, contacted by bank examiners, stated that all local financial institutions actively participate in lending programs designed to help meet the AA credit needs.

Conclusions with Respect to Performance Criteria

FNBNH's loan-to-deposit (LTD) ratio is reasonable given its size, financial condition and AA credit needs. The bank's LTD ratio was 71 percent as of December 31, 1997. Since March 31, 1995, the LTD ratio has averaged 71 percent. Since December 31, 1995, three

similarly-situated banks reported average LTD ratios ranging from 29 to 65 percent.

FNBPNH originates a majority of its loans to borrowers located within its defined AA. For 1996 and 1997, the bank reported that 81 percent by number and 65 percent by dollar volume were made to borrowers located inside the bank's AA. We verified this data for accuracy using the bank's AA map and a sample of loan files. The following table illustrates the bank's lending to borrowers located inside the AA for 1996 and 1997 by loan type.

Loan Type	Number of Originations	Percent	Dollar Volume of Originations	Percent
Agricultural	327	22%	\$6,984M	30%
Business	347	23%	\$6,998M	30%
Residential Real Estate	143	10%	\$5,497M	24%
Consumer	681	45%	\$3,731M	16%
Total	1,498	100%	\$23,210M	100%

The bank originates a reasonable level of loans to borrowers of different income levels relative to income demographics of the AA. We reviewed a sample of 44 loans originated in 1996 and 1997 secured by a borrower's primary residence to determine this. The following table summarizes the results of our review. The table also compares borrower income levels to the AA's demographics.

Distribution of Borrower Income Levels			
Income Level	# of Loans	Percent	AA %
Low	2	5%	8%*
Moderate	10	23%	21%
Middle	14	32%	29%
Upper	18	40%	34%
Total	44	100%	92%

* 306 families in the FNBPNH's AA are below poverty level. We adjusted the percentage of families who are low-income (16%) to exclude the families below poverty level because it is highly unlikely they could afford to borrow. This resulted in approximately 8 percent of the low-income families (with incomes between 30% - 50% of the median) who could potentially become borrowers.

FNBNH lends to farms and businesses of different sizes with special emphasis on small farms. The bank lends primarily to small farms due to the AA's demographics. The 1990 Census discloses that 100 percent of the farms within the AA report revenues less than \$1 million. The following tables summarize the bank's lending to farms and businesses of different sizes based on a sample of 36 farm and business loans.

Farm Loans Distribution By Revenue		
Gross Revenue (000's)	Number	Percent
≤\$250	13	65%
>\$250 to \$1,000	6	30%
Over \$1,000	1	5%
Total	20	100%

Business Loans Distribution By Revenue		
Gross Revenue (000's)	Number	Percent
≤\$250	4	25%
>\$250 to \$1,000	6	38%
Over \$1,000	6	37%
Total	16	100%

We did not assess the reasonableness of loans distributed within the bank's AA because the entire area is designated as middle-income. As a result, this information is not meaningful.

The bank has not received any complaints regarding its performance under the CRA since the last examination.

The bank complies with anti-discrimination laws and regulations. We did not identify any evidence of discrimination or other illegal credit practices.