



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

April 13, 1998

Community Reinvestment Act Performance Evaluation

**First Community National Bank
Charter Number 14040**

**620 Davis Avenue
Corning, Iowa 50841**

**Office of the Comptroller of the Currency
Omaha Field Office
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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 **First Community National Bank** prepared by The Office of the Comptroller of the Currency, as of April 13, 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 Community National Bank (FCNB) 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 different sizes. FCNB makes a majority of its loans to borrowers located within its assessment area. The bank's loan-to-deposit ratio compares favorably to similarly-situated banks.

Description of Institution

First Community National Bank (FCNB) is a \$23 million financial institution located in southwest Iowa. The bank's main office is a full-service facility located in downtown Corning, Iowa. The bank also operates a full-service, branch facility in downtown Lenox, Iowa. Heartland Bancshares, Inc., a one-bank holding company, owns 100 percent of FCNB's bank stock.

Farm, business, and residential real estate loans represent a majority of the bank's loans. As of March 31, 1998, the bank's loan portfolio totaled \$14.2 million. The portfolio consisted of farm (53%), business (21%), residential real estate (19%), and consumer (7%) loans.

FCNB received a "Satisfactory" rating during 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 portions of four contiguous counties in southwest Iowa. The AA contains two moderate-income and four middle-income Block Numbering Areas (BNAs). The AA does not arbitrarily exclude any low- or moderate-income areas. The following table exhibits the bank's defined AA.

County	BNA	Income Level
Adams County	#9501 #9502	Moderate Middle
Ringgold County	#9501	Middle
Taylor County	#9801 #9803	Middle Moderate
Union County	#9903	Middle

The AA is primarily rural, but includes the communities of Clearfield, Corning, Cromwell, Diagonal, Lenox, Nodaway, Prescott and Sharpsburg. The population of the AA is 14,098 according to the 1990 Census. Agricultural operations and related businesses contribute significantly to the local economy. Retail trade and services also contribute 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 23% low-, 24% moderate-, 27% middle-, and 26% upper-income. The 1990 Census reports 4,092 families within the AA.

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

Conclusions with Respect to Performance Criteria

FCNB’s loan-to-deposit (LTD) ratio compares favorably to other banks given its size, financial condition and AA credit needs. The bank’s LTD ratio was 65 percent as of December 31, 1997. Since September 30, 1994, the LTD ratio quarterly average was 71%. Since September 30, 1994, five similarly-situated banks reported average LTD ratios ranging from 27% to 76%. FCNB’s average LTD ratio ranks second when compared to the five similarly-situated banks.

FCNB originates a majority of its loans within its AA. As of March 31, 1998, the bank reported 74% of the dollar amount of loans outstanding were made to borrowers located inside the AA. We verified this by reviewing a sample of farm, business and residential real estate loan originations.

The bank originates a reasonable level of loans to borrowers of different income levels. We verified the bank’s performance by sampling 31 loans secured by a borrower’s primary residence. The following table summarizes the results of our sample 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	7	23%	23%
Moderate	7	23%	24%
Middle	9	29%	27%
Upper	8	25%	26%
Total	31	100%	100%

FCNB 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 1990 Census also discloses that 92% of the businesses report revenues less than \$1 million.

The following tables summarize the bank's lending to farms and businesses of different sizes based on the borrower's gross revenue.

Farm Loan Distribution By Revenue		
Gross Revenue (000's)	Number	Percent
≤\$250	6	60%
>\$250 to \$1,000	4	40%
>\$1,000	0	0%
Total	10	100%

Business Loan Distribution By Revenue		
Original Amount (000's)	Number	Percent
≤\$250	3	30%
>\$250 to \$1,000	5	50%
>\$1,000	2	20%
Total	10	100%

The geographic distribution of loans reflects reasonable dispersion throughout the AA. FCNB's AA includes two moderate-income and four middle-income areas. As of March 31, 1998, FCNB reported that 21% of the dollar amount of loans outstanding were made to borrowers located inside the two moderate-income BNAs. The 1990 Census reports that 32% of the families within the bank's AA live in the two moderate-income BNAs. We verified the accuracy of the bank's geographic distribution report by reviewing a sample of loan originations and the bank's process to record a borrower's location.

The bank appropriately responded to one complaint regarding its performance under the CRA since the prior CRA examination.

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