



---

Comptroller of the Currency  
Administrator of National Banks

Small Bank

---

## PUBLIC DISCLOSURE

November 30, 1998

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank of West Union, Iowa  
115 North Vine Street  
Box 233  
West Union, IA 50677

Charter # 13978

Office of the Comptroller of the Currency  
920 Second Ave. S. Suite 800  
Minneapolis, MN 55402

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 Community Reinvestment Act (CRA) performance of The First National Bank of West Union, West Union, Iowa, prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, between February 2, 1995 and November 30, 1998. The agency rates an institution's CRA performance consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

### **INSTITUTION'S CRA RATING: "Satisfactory"**

The bank has a reasonable loan-to-deposit ratio and originates a substantial majority of its loans inside their assessment area. The bank has a reasonable record of lending to individual borrowers of different income levels in relation to the demographics of the assessment area. The bank has a strong record of lending to businesses and farms of different sizes.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of West Union, West Union, Iowa (FNB) is a \$79.6 million institution with its main office located in West Union, Iowa, a city of approximately 2,500 people located in the northeast portion of the state. The bank offers a full line of commercial and retail services at the main office located in West Union, a partial list of services at a branch location in St. Lucas, Iowa, and basic deposit/withdrawal services at a drive-in facility located in West Union. ATM services are available at the main office and a local grocery store. The main office and branch facilities are located in middle-income areas.

The bank offers a wide range of loan products well suited to community credit needs. There are no legal or financial impediments limiting the bank's ability to meet these credit needs. The bank's primary focus is agricultural, small business and residential real estate lending. As of September 30, 1998, the bank's \$57.7 million loan portfolio consists of 46% agricultural, 19% commercial, 25% residential, and 10% consumer loans.

## **DESCRIPTION OF THE ASSESSMENT AREA**

FNB's assessment area consists of four block numbering areas (BNA) in northeast Fayette County and the two southern most BNA's of Winneshiek County (BNA numbers 9504, 9505, 9801, 9802, 9806 and 9807). All BNA's are designated middle-income geographies. The bank's assessment area meets regulatory requirements.

Based on 1990 Census data, the population of the assessment area is 20,427. The updated 1998 median family income for the assessment area is \$41,200. Of the 5,557 families in the assessment area, 19% are low income, 22% are moderate income, 26% are middle income, and 33% are upper income.

The economy of the assessment area is dependent on agriculture and agricultural related services. Dairy, corn and soybeans are the primary agricultural products with livestock production gaining in prominence. Light manufacturing, retail and service related industries add diversity to the local economic base. Unemployment in the county is similar to state averages and is low.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### ***Loan to Deposit Analysis***

FNB's loan to deposit ratio is reasonable given the bank's size, financial condition, and lending opportunities within its assessment area. The bank's average loan to deposit ratio from March 1995 to September 1998 was 76%. This compares to average loan to deposit ratios that ranged from 51% to 77% for five similarly situated banks operating in the bank's assessment area during the same time period. The average loan to deposit ratio of these five banks was 62%.

### ***Lending Inside the Assessment Area***

FNB originates a substantial majority of its loans inside its assessment area. Approximately 97% of the bank's small business and agricultural loans were originated within the bank's assessment area. Our business loan assessment is based on a sample of 32 business and agricultural loans totaling \$5.9 million or 15.6% of all commercial and agricultural loans outstanding on September 30, 1998.

Approximately 87.7% by number and 82.6% by dollar volume of the bank's residential loans were originated within the bank's assessment area. Our assessment is based on a sample of 81 residential real estate loans totaling approximately \$4 million originated in 1998. This sample included all loans reported on the Fair Housing Lending Home Loan Application Log Sheets between January 1, 1998 and November 30, 1998.

Bank management's analysis, which we verified for accuracy, showed similar results for residential real estate loans originated during 1995, 1996 and 1997. The following table illustrates the level of lending inside the bank's assessment area during these time periods.

<b>Penetration of Lending Inside the Assessment Area Based on Residential Loan Originations</b>			
	Total Number of Loans Originated	Dollar Volume of Loans Originated	Percent Inside the Assessment Area
All Residential Loan originations in 1995	81	\$3,302M	91.4%
All Residential Loan originations in 1996	97	\$4,288M	89.7%
All Residential Loan originations in 1997	93	\$4,613M	96.8%

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

The bank has a strong distribution of lending to businesses and farms of different revenue sizes in relation to the demographics of the assessment area. We reviewed a sample of business and agricultural loans within the bank's assessment area to determine the size of the bank's customers based on annual revenue. The analysis included 31 loans with original balances of \$5.5 million. This sample represents 14.7% of all commercial and agricultural loans outstanding on September 30, 1998. The bank originated 87% by number of their commercial and agricultural loans to borrowers with annual revenues less than \$1 million. This compares to 76% of the businesses and farms in the assessment area having annual revenues of less than \$1 million, per U.S. Census Bureau data. The following table illustrates the results of this review.

<b>Lending Distribution by Revenue Size of Businesses and Farms Based on Loan Originations Since March 31, 1997</b>			
<b>Revenue Size of Businesses and Farms Sampled \$(000's)</b>	<b>FNB Lending Distribution by Number of Loans</b>	<b>Percentage of Businesses and Farms in each Revenue Category (census information)</b>	<b>FNB Lending Distribution by Dollar of Loans</b>
\$0 - \$100	31%	76%	19%
\$100 - \$250	31%		27%
\$250 - \$500	22%		18%
\$500 - \$1,000	3%		13%
> \$1,000	13%		8%
Revenues not reported		16%	
Totals	100%	100%	100%

The bank has a reasonable record of lending to individual borrowers of different income levels in relation to the demographics of the assessment area. We reviewed residential real estate transactions reported on the 1998 Fair Housing Lending Home Loan Application Log Sheet (Log Sheets) to determine borrower distribution within the assessment area. We reviewed all loans reported on the Log Sheets between January 1, 1998 and November 30, 1998. The analysis included 71 loans totaling \$3.3 million. The following table illustrates the results of this review.

<b>Distribution by Borrower Income of Residential Real Estate loans Comparison to Demographics and Market</b>			
<b>Income Category of Families</b>	<b>Loan reported on the Log Sheets between January 1998 and November 1998</b>		<b>% of Families in Income Category in Assessment Area</b>
	<b>(by number)</b>	<b>(by dollar volume)</b>	
Low-Income	18%	8%	19%
Moderate-Income	20%	16%	22%
Middle-Income	32%	32%	26%
Upper-Income	30%	44%	33%
Totals	100%	100%	100%

### ***Geographic Distribution of Loans***

We did not evaluate the geographic distribution of lending within the bank's assessment area. The number and income distribution of geographies in the assessment area are not sufficient for a meaningful analysis of the geographic distribution of the bank's loans. All BNA's within the assessment area are designated as middle income.

### ***Response to CRA Related Complaints***

The bank has not received any CRA related complaints during the evaluation period.

### ***Compliance with Anti-discrimination Laws***

FNB complies with applicable anti-discrimination laws and regulations. We found no evidence of discriminatory credit practices or disparate credit treatment during our fair lending review.