



Public Disclosure

August 17, 1998

Community Reinvestment Act Performance Evaluation

**The First National Bank of Ainsworth
Charter Number 8992**

**317 North Main Street
Ainsworth, Nebraska 69210**

**Office of the Comptroller of the Currency
Omaha South Field Office
11606 Nicholas Street, Suite 201
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 The First National Bank of Ainsworth, Ainsworth, Nebraska, prepared by The Office of the Comptroller of the Currency, as of August 17, 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."**

The First National Bank of Ainsworth does a good job lending to the moderate income geographies in its assessment area. The bank's loan to deposit ratio is the strongest of the nine banks chartered in the assessment area. The bank does a satisfactory job of lending to farms of different sizes.

Description of Institution

The First National Bank of Ainsworth (FNB) is a \$49MM institution located in north central Nebraska. The bank is a subsidiary of The First Ainsworth Company, a one-bank holding company. FNB's main office and drive-through are located in Ainsworth. Additionally, the bank has a Loan Production Office (LPO) and Automated Teller Machine located in Bassett, Nebraska, 17 miles east of Ainsworth. Loans represent 74% of total bank assets. The bank is primarily an agricultural lender, with 80% of its loans for agricultural purposes. The remainder of the portfolio is vested in commercial loans (13%), consumer loans (4%), and residential real estate and other loans (3%). Loan and deposit competition comes from several other financial institutions located in communities throughout the assessment area. There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to comply with the Community Reinvestment Act. The OCC previously rated the bank's CRA performance "Satisfactory" at our December 13, 1995 examination.

Description of FNB's Assessment Area

FNB's assessment area consists of Brown, Rock, Cherry, Holt, and Keya Paha Counties; five contiguous counties located in north central Nebraska. Ainsworth is the county seat of Brown County. The assessment area contains nine Block Numbering Areas (BNAs). The Brown County, Keya Paha County, and southern Cherry County BNAs are designated moderate income. The remaining six BNAs in the assessment area are middle income. None of the counties are within a Metropolitan Statistical Area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income areas.

The bank's assessment area is a sparsely populated rural area with several small communities. According to 1990 census information, 25,611 people reside in the assessment area with 1,870 individuals in Ainsworth and the remaining population split among 28 small towns and the surrounding countryside. The 1990 census revealed that the median family income for the assessment area is \$23,954 compared to the statewide nonmetropolitan median family income of \$27,623. Updated HUD statewide median family income for 1998 is \$39,300. The distribution of families by income level for the assessment area is as follows: low income 22%, moderate income 24%, middle income 24%, and upper income 30%. Thirteen percent of families in the assessment area are below the poverty level. According to the 1990 census, the median housing value in the assessment area is \$29,545 and 56% of housing is owner occupied.

The local economy is heavily dependent on agriculture, with little economic diversification. Cattle and corn prices have been poor in recent years. However, community contacts stated that the local economy is still fairly stable. Community contacts indicated that agricultural credit is the primary credit need in the community. One contact also stated that home improvement loans are also needed. FNB makes both of these types of loans. Examiners contacted a local realtor during this examination and reviewed a contact with a local government official that was recently conducted by another regulatory agency.

Conclusions with Respect to Performance Criteria

Geographic Distribution of Loans

FNB does a good job of lending to agricultural borrowers in the moderate income BNAs in the assessment area. Because the bank's lending is concentrated in agricultural loans and because community contacts stated that the area's primary credit need is agricultural loans, we focused our analysis on this product type. We reviewed a sample of agricultural loans to 24 borrowers totaling \$8,472M, which represents 30% of the bank's agricultural loan volume. Approximately 98% of the dollar volume of loans and 92% of the number of loans in the sample were made to borrowers in moderate income geographies.

It is reasonable to expect the bank to make a large volume of loans to borrowers in moderate income geographies. FNB does most of its business in Brown, Rock, and Keya Paha Counties. Two of these three counties (Brown and Keya Paha) are designated moderate income. However, the bank's lending in moderate income geographies exceeds the demographics for the area. Agricultural Census data from 1992 indicates that 19% to 42% of farms in the assessment area are located in moderate income BNAs. Nineteen percent of farms are located in the moderate income BNAs of Brown and Keya Paha Counties. An additional 23% of farms in the assessment area are located in Cherry County, which contains one moderate income BNA and one middle income BNA. Information is not available to determine how many of these farms are located in the moderate income BNA.

Lending to Businesses of Different Sizes

FNB does a satisfactory job of lending to farms of different sizes. We used the same agricultural loan sample described above to determine the bank's lending to farms of different sizes. Demographic data from the 1992 Agricultural Census reveals that most of the farms in the bank's assessment area are small, with revenues less than \$250 thousand. The bank does a reasonable job of lending to these small farms, as shown in the following table.

Lending to Agricultural Borrowers					
Gross Revenues (000s)	% of farms in AA	# of loans	%	\$ volume of loans (000s)	%
Less than \$100	68%	5	21%	\$578	7%
\$100 to \$249	21%	10	42%	\$2,982	35%
\$250 to \$499	7%	4	16%	\$1,800	21%
\$500 or greater	4%	5	21%	\$3,112	37%
TOTALS	100%	24	100%	\$8,472	100%

Loan to Deposit Ratio

The bank maintains a reasonable loan to deposit ratio. Over the last nine quarters, the bank's loan to deposit ratio averaged 76%. The bank's ratio compares favorably to the other eight community banks chartered in the assessment area. FNB's ratio is the highest of these banks, with ratios ranging from 50% to 76%.

The bank also sells residential real estate loans on the secondary market, which are not reflected in the loan to deposit ratio above. Since the last CRA examination, the bank has sold 11 loans totaling \$594 thousand.

Lending in Assessment Area

The bank extends the vast majority of agricultural loans to borrowers within the assessment area. We sampled loans to 26 agricultural borrowers totaling \$9,070M, which represents 32% of the bank's total agricultural loans. Ninety-three percent of the loans by dollar volume and 92% of the loans by number were to borrowers located within the assessment area.

Response to Complaints

The bank has not received any complaints regarding its CRA performance.

The bank is in compliance with anti-discrimination laws and regulations. Our review did not disclose any substantive violations of the Fair Lending laws. We did not note any practices intended to discourage applicants for the types of credit the bank offers.