



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

August 21, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Webster City Federal Savings Bank  
Charter Number 702731

820 Des Moines St  
Webster City, Iowa 50595-2120

Office of the Comptroller of the Currency  
Des Moines Field Office  
5550 Wild Rose Lane, Suite 400  
West Des Moines, Iowa 50266

**NOTE:** This document is an evaluation of this 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. 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.

**INSTITUTION'S CRA RATING: This institution is rated Satisfactory**

**The Lending Test is rated: Satisfactory**

Webster City Federal Savings Bank's ("WCFSB" or "bank") lending performance reflects a satisfactory response to community credit needs. This conclusion is based on the following results from our review:

- The loan-to-deposit (LTD) ratio meets the standard for satisfactory performance.
- The bank originated a majority of loans inside its assessment area (AA).
- Lending activities represent an excellent penetration among borrowers of different income levels.

**SCOPE OF EXAMINATION**

We evaluated WCFSB under the Small Bank Examination Procedures, which include a lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through its lending activities.

The lending test covers the bank's performance from January 1, 2009 through July 31, 2012, as this period is representative of the bank's lending strategy since the previous Community Reinvestment Act (CRA) examination. The lending test is based on the bank's primary loan product, residential real estate loans.

Since the bank is not located in a metropolitan statistical area and is not subject to the requirements of the Home Mortgage Disclosure Act, it does not maintain income data for residential home loan borrowers outside of the individual mortgage files. Therefore, we reviewed a sample of 20 residential mortgage loans originated during the evaluation period to evaluate the bank's lending performance.

**DESCRIPTION OF INSTITUTION**

WCFSB is a community-based institution, with its main office located in Webster City, Iowa. As of June 30, 2012, the bank had \$90.9 million in total assets, and tier 1 capital of \$11.6 million. The bank has two automatic teller machines (ATMs), a full service ATM and a withdrawal ATM, both located in Webster City. The business philosophy is to originate single-family mortgage loans and provide products and services that increase the availability and affordability of housing to low- to moderate-income families.

The bank offers a full range of deposit and loan products and services. Loans offered include adjustable- and fixed-rate mortgage loans, short-term consumer loans, home improvement loans secured by real estate, and high loan-to-value loans with private mortgage insurance. The bank participates in a number of down payment and assistance programs involving mortgage loans. These programs include the Hamilton

County SEED Down Payment Assistance Plan, the U.S.D.A. Rural Development Participation Loan Program, the Webster City First Time Homeowner Down Payment Assistance Program, the Iowa Housing Assistance Program (IHAP), and the Homeward Program. The programs are made available through a number of federal and state agencies. The bank also offers a variety of deposit products, including NOW, money market deposit, commercial checking, traditional savings, certificates of deposit, individual retirement, and health savings accounts.

As of June 30, 2012, the bank reported net loans and leases of \$48.8 million, which represents approximately 54 percent of total assets. Residential real estate loans account for approximately 76 percent of the dollar amount of loans originated from January 1, 2009 to July 31, 2012 and 90 percent of the bank’s loan portfolio. Therefore, residential mortgage loans are considered the bank’s primary loan product.

Loan Originations by Loan Type				
Loan Category	\$ (000)	%	#	%
Residential Loans	\$ 18,846	76.40%	267	22.32%
Consumer Loans	\$ 5,822	23.60%	929	77.68%
Total	\$ 24,668	100.00%	1,196	100.00%

Source: Bank records from January 1, 2009 to July 31, 2012

There are no legal or financial impediments to WCFSB’s ability to meet the credit needs of its AA. The bank was rated Satisfactory at the previous CRA examination dated February 27, 2007.

## DESCRIPTION OF ASSESSMENT AREA

### Hamilton County Assessment Area

WCFSB has one AA consisting entirely of middle-income tracts located in Hamilton County, Iowa. The AA has not changed since the previous CRA examination. The current local economy is characterized as good and stable. Economic activity in the area is relatively diverse, with agriculture, services, and small manufacturing companies being the primary economic activities. Average unemployment for the area is low, and average employee wages have increased since the previous examination. There are four major employers in town, all of which are primarily agriculturally related. These businesses have continued to be profitable despite the poor national economy the last several years. During the assessment period, a major manufacturing plant was opened in 2009 and another plant closed in late 2011 with 1,200 jobs lost. Other businesses in town hired additional employees, effectively keeping unemployment down.

Competition from other financial institutions is average. The bank’s competitors include several local community banks and one large bank. There are no major large bank branches in Webster City.

In conducting the assessment of the bank's performance, we contacted a local community organization. The contact indicated there were a few community development projects in the city that may need financing. Currently, some local groceries stores are expanding. The contact stated that the local banks will likely have a large part in funding new projects. The contact had no complaints regarding cooperation with the bank.

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

### **LENDING TEST**

WCFSB's lending test is satisfactory. The bank's LTD ratio is reasonable, and the bank has originated the majority of loans inside its AA. We did not perform a geographical distribution test because all census tracts within the AA were middle-income, and there were no CRA performance complaints.

#### **Loan-to-Deposit Ratio**

WCFSB's net LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. The bank's net LTD ratio averaged 84.83 percent over the past 20 quarters, with a quarterly low of 64.84 percent and a quarterly high of 102.99 percent.

The bank's net LTD ratio is comparable to other community banks of similar size, location, and product offerings. There are only four banks within the AA. WCFSB's LTD ratio ranks second among a total of three similarly situated banks serving the AA. The other two banks reported average net LTD ratios of 81.24 percent and ranging from 75.43 percent to 87.06 percent over the past 20 quarters.

#### **Lending in Assessment Area**

The bank granted a majority loans to families within the AA. Of our sample of 20 loans, 80 percent of the loans by dollar amount and 72 percent by the number of loans were made to families in the AA. The following table details the bank's lending within the AA by number and dollar amount during the evaluation period.

Table 1 - Lending in Hamilton County AA										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	12	60%	3	15%	15	\$621	59%	\$152	15%	\$773
Home Refinance	1	5%	1	5%	2	\$92	9%	\$139	13%	\$231
Home Improvement	3	15%	0	0%	3	\$42	4%	\$0	0%	\$42
Total	16	80%	4	20%	20	\$755	72%	\$291	28%	\$1,046

Source: Bank records from January 1, 2009 to July 31, 2012

### Lending to Borrowers of Different Incomes

The overall borrower distribution for the Hamilton County AA is considered excellent, which is due to the bank’s high performance in originating home loans to low-income families.

#### Home Loans

The distribution of home loans reflects excellent penetration among borrowers of different income levels. A credit need identified for this area was affordable housing for low-income families. The bank’s lending to low-income families is excellent as 40 percent of the number of loans was made to low-income borrowers compared to 13.7 percent of families in the AA designated as low-income. Refinancing loans is low, but this is not a concern as only two loans in our sample were refinanced loans. Lending to moderate-income families is reasonable. The following table shows the distribution of home loans among borrowers of different income levels for the period of January 1, 2009 through July 31, 2012 as compared to the percent of families in each income category.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Hamilton County AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	13.7	20%	18.3	20%	26.8	15%	41.2	15%
Home Improvement	13.7	20%	18.3	0%	26.8	0%	41.2	0%
Home Refinance	13.7	0%	18.3	0%	26.8	5%	41.2	5%

Source: 2000 U.S. Census Data

### Geographic Distribution of Loans

We did not perform a geographic distribution test as all census tracts within Hamilton County were middle-income.

## **Responses to Complaints**

WCFSB has not received any CRA complaints during this evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank's (bank) or federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any AA by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.