



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

July 6, 1998

Community Reinvestment Act Performance Evaluation

**First National Bank and Trust of Fullerton
Charter Number 2964**

**230 Broadway
Fullerton, Nebraska 68638**

**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 the 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 and Trust of Fullerton, Fullerton, Nebraska prepared by The Office of the Comptroller of the Currency, as of July 6, 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 and Trust of Fullerton (bank) does a satisfactory job of lending to farms of different sizes and extends a majority of its loans to borrowers within its assessment area. The bank maintains a reasonable loan-to-deposit ratio.

DESCRIPTION OF INSTITUTION

First National Bank and Trust of Fullerton is a \$40 million bank located in central Nebraska. It is a subsidiary of First National Holding Company, Inc., a one-bank holding company. The holding company also owns an insurance business with offices in three area communities. The insurance company comprises only a minimal amount of the holding company's assets. The bank does not have any branches, but maintains a cash dispensing machine at a convenience store in Fullerton and an automated teller machine at a convenience store in Cedar Rapids. 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 "Outstanding" at our January 17, 1995 examination.

The bank offers a full range of credit products including agricultural, real estate, commercial, and consumer loans. Net loans represented 69% of the bank assets as of June 30, 1998. The bank is primarily an agricultural lender with 85% of its loans for agricultural, 9% for commercial, 3% for 1-4 family residential, and 3% for other consumer purposes. We concentrated our analysis on farm loans because they comprised the vast majority of the loan portfolio.

Loan and deposit competition comes from several other financial institutions located in Nance and Boone Counties. In addition, the Farm Credit System provides strong competition for loans, and an affiliate of a larger Nebraska bank competes for area deposits. The bank is the third largest of the ten financial institutions or branches located in the assessment area. The institutions include six national banks, three state banks, and one savings and loan with deposits ranging from \$7 million to \$40 million. We determined this ranking by comparing the June 30, 1997 deposits reported to the Federal Deposit Insurance Corporation.

DESCRIPTION OF ASSESSMENT AREA

Management has designated all of Nance and Boone Counties as the bank's assessment area. The bank's only office is in the town of Fullerton, which is the county seat located in the central part of Nance County. The assessment area consists of two middle-income Block Numbering Areas (BNAs) in Boone County and one middle-income BNA in Nance County. The assessment area is not located within a Metropolitan Statistical Area, meets regulatory requirements, and does not arbitrarily exclude any low- and moderate-income areas.

DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

Nance and Boone Counties are rural areas containing several small communities. According to 1990 U.S. census information, 10,942 people reside in the assessment area. About 41% of the population lives in Albion, Fullerton, and Genoa, and the remaining people are split between eight other communities and the surrounding countryside. The 1990 HUD nonMSA statewide median family income for the assessment area is \$25,572 compared to the statewide non-metropolitan median family income of \$27,623. In 1997, the updated HUD nonMSA statewide median family income was \$37,100. The assessment area's median housing value is \$26,571, with 65% of the housing units owner occupied. The percent of families by income level for the assessment area is as follows: low-income 20%, moderate-income 20%, middle-income 31%, and upper-income 29%. In addition, 10% of the families were below the poverty level as of the census date.

The area's economy is stable to decreasing with few opportunities for growth and impending concerns in the agricultural sector. Agriculture and its related industries dominate the local economy. The area's main products include corn, soybeans, hay, and cattle. Major employers include area nursing homes, school systems, and county government. Overall unemployment remains low.

We conducted one new contact and reviewed three recent contacts with community members located within the assessment area. Our contacts included a government official and three local business people. All four contacts indicated a need for agricultural credit, and three of the contacts stated there is a need for business credit. The bank offers all of these types of loans, with its primary emphasis on agricultural lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loans to Farms of Different Sizes

The bank does a satisfactory job of extending credit to farms of different sizes. The 1992 U.S. Agriculture Census data indicates 97% of the number of farms generate gross revenues less than \$500 thousand, which equals only 55% of total agricultural sales in the assessment area. Our agricultural loan sample indicates a reasonable correlation with the demographic data. We randomly sampled 44 agricultural notes totaling \$2.7 million which were originated between July 1, 1997 and July 10, 1998. This sample represented 14% of the 315 agricultural notes originated during this period. All of these loans were to customers residing within the assessment area.

AGRICULTURAL LOANS

Gross Revenues (000)	Dollar Volume of Loans Sampled (000)	Percent of Sampled Loans	Census Data: Percent of Farms by Total Sales	Number of Loans Sampled	Percent of Sampled Loans	Census Data: Percent of Farms by Number
\$0--\$100 *	\$210	8%	17%	11	25%	69%
\$100--\$250	\$962	35%	25%	22	50%	22%
\$250--\$500	\$985	36%	13%	5	11%	6%
\$500 or More #	\$564	21%	45%	6	14%	3%
Totals	\$2,721	100%	100%	44	100%	100%

* This group includes part-time farmers who may not borrow for agricultural purposes.

The largest gross sales in the sample was \$702 thousand.

Lending in Assessment Area

The majority of the bank's loans are to borrowers who reside within the assessment area. Approximately 83% of the dollar volume and 79% of the number of agricultural notes sampled were made to customers who live within the assessment area. We calculated these percentages by reviewing 63 notes totaling 20% of the agricultural notes originated between July 1, 1997 and July 10 1998.

Loan-to-Deposit Ratio

The bank maintains a reasonable loan-to-deposit ratio which is comparable to the ratios of the other seven financial institutions chartered in the bank's assessment area. The bank's average quarterly loan-to-deposit ratio since the last CRA examination (thirteen quarters) equals 73%. The ratios for the eight banks in the assessment area range from 60% to 80% and average 72%. The bank started this thirteen-quarter period with the third highest ratio, and March 31, 1998 information shows the bank has the second highest ratio. The bank's quarterly loan-to-deposit ratios declined from December of 1995 to March of 1997. Internal bank reports indicate the ratio reduction was caused by the acceptance of local school deposits generated from a successful bond election. We generated most of this information from OCC reports derived from each bank's Consolidated Report of Condition.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since all of the BNAs within the assessment area are middle-income. Through discussions with management and a review of a sample of the bank's loans, it is readily apparent that a majority of the bank's loan customers reside throughout the assessment area.

Response to Complaints

Bank representatives have not received any complaints regarding its CRA performance since the last CRA examination.

Compliance with Anti-discrimination Laws and Regulations

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations. We did not identify any evidence of discrimination or disparate treatment in our review of the bank's lending practices.