



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

May 10, 2001

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**The First National Bank of Cedar Falls
Charter Number 23640**

**2421 Whitetail Drive
Cedar Falls, IA 50613**

**Comptroller of the Currency
920 Second Avenue South 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 Cedar Falls, Cedar Falls, IA as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of May 10, 2001. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The First National Bank of Cedar Falls' performance of lending in its assessment area is reasonable and the bank's loan-to-deposit ratio is satisfactory in comparison to other similarly situated banks. The bank's distribution of business loans is satisfactory in relation to the range of businesses by revenue size and business location in the assessment area.

- By number, 70 percent of the bank's business loan originations were made in the assessment area.
- The bank's quarterly average loan-to-deposit ratio of 87 percent ranked it fifth out of seven community banks operating in the assessment area.
- The bank's business lending distribution was near the assessment area demographics for businesses by annual revenue size and business location.
- The bank has not received any CRA related complaints.

DESCRIPTION OF INSTITUTION

The First National Bank of Cedar Falls (FNB Cedar Falls) is a \$33 million bank located in Cedar Falls, Iowa. FNB Cedar Falls maintains a main office location on the western edge of town with a branch location in the downtown area. Both locations offer traditional banking products and services, including a drive-up facility at each location and ATM access.

The bank is primarily a business lender. Based on total dollars of originations since the bank opened in August 1998, business loans accounted for 56 percent, 1-4 family real estate 32 percent, agriculture 7 percent, and consumer and other loans 5 percent. Total outstanding loans equaled \$24 million or 72% of total assets as of December 31, 2000.

First of Waverly Corporation, a two-bank holding company, owns FNB Cedar Falls and The First National Bank of Waverly, Waverly, Iowa. First of Waverly Corporation also owns an insurance agency with an office in Cedar Falls. First of Waverly Corporation is located in Waverly, Iowa, and as of December 2000 had assets of \$176 million. The bank does not have any affiliate relationships that impact the bank's CRA performance. There are currently no legal impediments or other factors, including the financial condition of the bank, which limit its ability to meet the credit needs of its assessment area. This is the bank's first CRA evaluation since opening for business. The evaluation period used for the Public Evaluation is from August 1998 to May 2001.

DESCRIPTION OF ASSESSMENT AREA

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. FNB Cedar Falls' assessment area is located in the western portion of the Cedar Falls/Waterloo Metropolitan Statistical Area (MSA). The assessment area lies within Black Hawk County of Iowa. The assessment area is comprised of the 7 Block Numbering Areas (BNA) for the City of Cedar Falls.

The assessment area is economically sound. Annual average unemployment is low at 2.62% for the Cedar Falls area. This compares favorably to a county unemployment rate of 2.95%. The city of Cedar Falls has a diversified economic base and a mix of residential, commercial/industrial and public development. The University of Northern Iowa maintains a campus in the city. Major employers in the area include the University of Northern Iowa and John Deere. Owner-occupancy is moderate at 64% of residential housing and vacancy of rental property is low at 3%.

Two new community contacts and one existing contact were considered in evaluating the credit needs of the assessment area. Of the two new community contacts made as part of this examination, one was with an economic development corporation and the other was with a small business development center located at a local state operated university. Contacts with community groups said that there is a need for small business loans and loans that would result in job creation, particularly for the type of job that would provide higher wages that would support a family. Contacts said that there is a need for technical assistance and managerial counseling for small business owners. One contact stated there is a need for banks to work with

women who are new business owners, people beginning home based businesses, and small technology based start-up companies. A total of seven community banks, including FNB Cedar Falls, are located in the assessment area plus several credit unions and branches of three large national banking companies. These institutions range in size from \$26 million to \$293 million.

Table 1 below shows assessment area composition by census tract income level based on 1990 census data. Table 2 below shows family income level based on 2000 Housing and Urban Development (HUD) updated MSA median family income of \$47,000. The weighted family income from the 1990 census was \$38,562.

Table 1. Assessment Area by Income Level	Number of Census Tracts	Percent of Census Tract
Low Income	0	0.00%
Moderate Income	0	0.00%
Middle Income	4	57.14%
Upper Income	3	42.86%

Table 2. Family Income Level	Percent of Households
Low Income	16.17%
Moderate Income	13.89%
Middle Income	20.80%
Upper Income	49.15%

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB Cedar Falls' loan-to-deposit ratio is satisfactory. FNB Cedar Falls' quarterly average loan-to-deposit ratio since the bank opened operations is 87 percent. The bank's loan to deposit ratio has stabilized at approximately 76 percent during the past 5 quarters. The bank's loan-to-deposit ratio ranked 5th out of seven similarly situated banks located within the assessment area. These peer banks had total assets less than \$300 million and had loan-to-deposit ratios that ranged from 70 percent to 100 percent.

Lending in the Assessment Area

FNB Cedar Falls' record of lending in its assessment area is satisfactory. The bank originated 85 percent by number and 88 percent by dollar of its business loans within its assessment area. The bank's ratio of lending within the assessment area was calculated from its primary loan type, business loans. Business loans were selected as the bank's primary loan type based on an analysis of all originations since the bank opened for operations in August 1998. Loan purchases were not included as the majority of loans purchased during the evaluation period were used to build the commercial portfolio. This activity is not indicative of the bank's practice going

forward. Business loans accounted for 50 percent by number and 72 percent by dollar of originations during this period. The next largest loan type, 1-4 family refinance, represented 9 percent by number and 11 percent by dollar of total originations. We calculated the ratio of loans in the assessment area by taking a random sample of 20 business loans originated during the current assessment period.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

FNB Cedar Falls’ distribution of loans within its assessment area to businesses of different revenue size is reasonable. Table 3 shows the bank’s distribution of loans (commercial and commercial real estate) to businesses with annual revenue of less than \$1 million, versus the demographic for the area. The data was obtained from a random sample of 20 business loans originated in the assessment area between August 1998 and May 2001. Ten businesses, 50 percent by number, in our sample reported income of less than \$500 thousand. Note that 4 percent of businesses surveyed did not report revenues.

Table 3. Revenue Size of Business	By Number %	By Dollar %	Demographic for Assessment Area
Less than \$1 Million	70.00%	73.57%	86.86%
Greater than \$1 Million	30.00%	26.43%	9.08%
Revenue Not Reported	0.00%	0.00%	4.05%

Geographic Distribution of Loans

A geographic distribution analysis would not be meaningful because the assessment area is comprised of middle- and upper- income tracts.

Response to Complaints

There have been no CRA related complaints against the bank.

Record of Compliance with Antidiscrimination Laws

An analysis of 1998 HMDA, Small Business and Small Farm lending data, public comments, and consumer complaint information was performed according to the OCC’s risk based fair lending approach. The analysis of these data revealed no basis for the OCC to conduct a comprehensive fair lending examination in connection with the CRA evaluation.