



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 3, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Lakes National Bank
Charter Number 15933
46 North Okoboji Grove Road
Arnolds Park, Iowa 51331

**Office of the Comptroller of the Currency
Omaha North Field Office
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154-4410**

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 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 Lakes National Bank**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of **October 3, 1997**. 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 Lakes National Bank meets the credit needs of the community, as demonstrated by its average loan-to-deposit ratio of 68% since the bank's prior CRA examination. The trend in the loan-to-deposit ratio is positive.
- A majority (86%) of loans by dollar volume are located within the bank's assessment area.
- The bank affirmatively lends to individuals of different income levels (including low- and moderate-income borrowers) and to small businesses.

DESCRIPTION OF INSTITUTION

The Lakes National Bank is a \$30 million independent financial institution located in Northwestern Iowa. The bank's office is located on Highway 71 in Arnolds Park. The bank offers a full range of loan and deposit services, and has a 24-hour accessible ATM.

The bank specializes in residential real estate lending, which comprised 48% of The Lakes National Bank's outstanding loans by dollar volume on June 30, 1997. The bank also offers commercial loans (29%), consumer loans (13%), and agricultural loans (3%). Other real estate (construction and multi-family) loans comprised the remaining 7% of the loan portfolio.

The Lakes National Bank received a "Satisfactory" rating at its January 24, 1995, CRA examination. There are no legal impediments or other factors, including the financial condition of the bank, which limit its ability to perform in accordance with CRA regulations.

DESCRIPTION OF ASSESSMENT AREA

The bank's identified assessment area includes all of Dickinson County, Iowa, except for the far Western portion of the county. The assessment area is primarily the Iowa Great Lakes Area and the surrounding rural area, including the communities of Arnolds Park, Spirit Lake, Okoboji, West Okoboji, Wahpeton, Milford, Terril, Orleans, and Superior.

The assessment area does not arbitrarily exclude any low- or moderate-income areas. No part of the assessment area is located in a Metropolitan Statistical Area (MSA).

The 1997 non-MSA median family income (MFI) for Iowa is \$39,200. The following summarizes the income levels of individual Block Numbering Areas (BNAs) and families located within the bank's assessment area:

| | <u># BNAs</u> | <u>Percentage of Families</u> |
|-------------------------------|---------------|-----------------------------------|
| Low Income (<50% Non-MSA MFI) | 0 | 15% |
| Moderate Income (50-79%) | 0 | 19% |
| Middle Income (80-119%) | 5 | 26% |
| High Income (120+%) | 2 | 40% |

DESCRIPTION OF ASSESSMENT AREA (CONTINUED)

The Iowa Great Lakes Area economy is heavily reliant on summer tourism, both for sales volume and employment. According to individuals contacted during the course of this examination, the local economy is thriving due to several consecutive strong summer seasons.

We did not identify any unmet credit needs in the assessment area. Community contacts indicated there are a sufficient number of financial institutions willing and able to provide all types of credit, including loans to finance residential real estate and small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio:

The Lakes National Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's LTD ratio has increased from 60% at March 31, 1995, to 70% at June 30, 1997, and averaged 68.14% during that period. The Lakes National Bank also compares favorably with four other similarly-situated banks serving the assessment area, which had average LTD ratios ranging from 54% to 74% over the same time period.

Lending in Assessment Area:

The Lakes National Bank makes a majority of its loans to borrowers located within its defined assessment area. Of loans originated in 1996 and 1997, approximately 81% by number and 86% by dollar volume were made to individuals, businesses, and farms located within the assessment area. The following details originations by type of loan:

| | <u>Originations By Number</u> | <u>% Inside Area</u> | <u>Originations By Dollars</u> | <u>% Inside Area</u> |
|--------------|-----------------------------------|--------------------------|------------------------------------|--------------------------|
| Real Estate | 260 | 88.5% | \$14.8 million | 89.6% |
| Consumer | 427 | 76.6% | \$ 3.6 million | 74.2% |
| Commercial | 131 | 83.2% | \$ 3.3 million | 83.4% |
| Agricultural | 12 | 75.0% | \$ 0.1 million | 43.2% |

We used bank-generated reports to determine the location of loan customers by BNA. We verified this data for accuracy using sampling techniques.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA (CONT.)

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

The distribution of borrowers reflects excellent dispersion among individuals of different income levels. Examiners sampled 100% of residential real estate loans and 22% of consumer loans originated in 1996 and 1997. The bank affirmatively lends to low- and moderate-income applicants within the assessment area.

| | <u>Percentage of Residential Loans</u> | <u>Percentage of Consumer Loans</u> | <u>Percentage of Families</u> |
|------------------------|--|-------------------------------------|-------------------------------|
| Low Income | 8% | 26% | 15% |
| Moderate Income | 32% | 30% | 19% |
| Middle Income | 18% | 19% | 26% |
| High Income | 39% | 25% | 40% |

Our review did not identify any violations of substantive provisions of antidiscrimination laws and regulations.

The Lakes National Bank lends to businesses of all sizes, with special emphasis on small businesses. U.S. Census Bureau data shows 629 business establishments in Dickinson County. Approximately 98% of these businesses employ fewer than 50 employees, indicating that the large majority of area businesses are small businesses. The Lakes National Bank originated 131 commercial loans in 1996 and 1997 totaling \$3.3 million. The average commercial loan origination is \$25,000.

| <u>Origination Amount:</u> | <u>Number of Business Loans</u> | <u>Percentage of Business Loans</u> |
|----------------------------|---------------------------------|-------------------------------------|
| <\$ 50,000 | 110 | 84% |
| \$ 50,000-\$100,000 | 18 | 14% |
| >\$100,000 | 3 | 2% |

Geographic Distribution of Loans:

All seven BNAs in the bank's assessment area are classified as middle- or upper-income. Geographic distribution analysis is not meaningful since there are no low- or moderate-income BNAs.

Response to Complaints:

The bank has not received any CRA-related complaints since the last CRA examination.

No violations of substantive provisions of antidiscrimination laws and regulations were identified during our review.