

## **Public Disclosure**

**October 25, 1999**

# **Community Reinvestment Act Performance Evaluation**

**First Central Bank McCook, N.A.  
Charter Number 23734**

**220 Westview Plaza  
McCook, Nebraska 69001**

**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 First Central Bank McCook, N.A. prepared by The Office of the Comptroller of the Currency, as of October 25, 1999. 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.

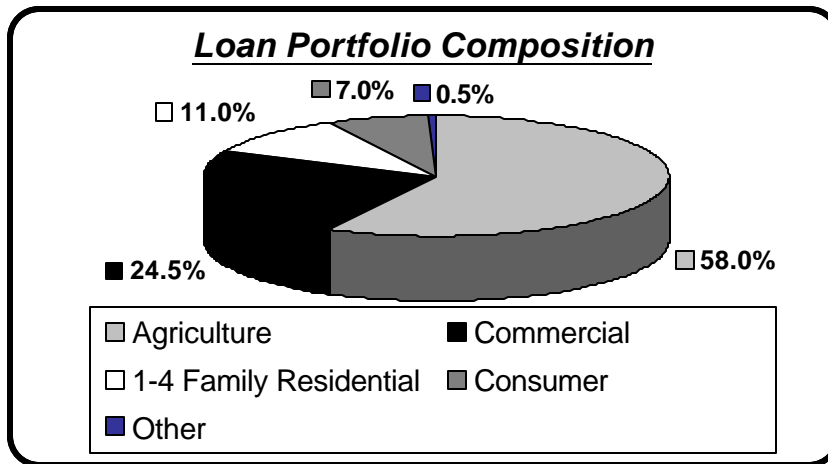
**Institution's CRA Rating:** This institution is rated *Satisfactory*.

First Central Bank McCook, N.A. (FCB) adequately meets the credit needs of its assessment area. The bank's primary lending activities are centered on agricultural and commercial borrowers.

- FCB has done an adequate job of lending to agricultural and commercial borrowers of different sizes.
- FCB's average loan-to-deposit ratio in its first two quarters of operation is good.
- FCB's record of originating and purchasing loans within the assessment area is good.

## Description of the Institution

FCB is a \$13 million financial institution located in southwest Nebraska. Central Bancshares, Inc., an \$8 million holding company in Cambridge, Nebraska, is the controlling owner of the bank. Central Bancshares, Inc. is also the controlling owner of First Central Bank Cambridge, which is the only affiliate of FCB. FCB's main office is located in McCook, and the bank also maintains one automated teller machine (ATM) at the main office and one ATM at a commercial location within McCook. FCB's net loans and leases equaled 81.58% of total assets as of June 30, 1999. The bank focuses primarily on agricultural and commercial lending. The following chart displays FCB's loan portfolio composition as of June 30, 1999.



This is the first evaluation of FCB's performance under the Community Reinvestment Act. There are not any legal or financial factors which impede the bank's ability to help meet the credit needs of the assessment area.

## Description of the Assessment Area

FCB has designated six block numbering areas (BNAs), which include Red Willow, Frontier, Hayes, and Hitchcock counties, as the assessment area. All six of the BNAs are designated as middle-income.

The counties are not within a Metropolitan Statistical Area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

According to 1990 U.S. Census Data, 19,778 people reside in the assessment area with 8,112 located in the community of McCook. The inflation adjusted 1999 median family income is \$39,800 for non-metropolitan statistical areas in Nebraska. The distribution of families by income level for the assessment area is as follows: low-income 19.5%, moderate-income 20.1%, middle-income 25.8%, and upper-income 34.6%. Fifteen percent of families in the assessment area are below the poverty level. The median housing value in the assessment area is \$31,328 and 60% of housing is owner-

occupied.

The local economy is heavily dependent on agriculture and its related industries, which have been volatile due to the decline in farm commodity prices. Corn, soybeans, and livestock are the major agricultural products produced in the assessment area. Retail activity is strong and several light industries provide some diversification to the local economy. Major employers in the area include Dayco Corporation, Burlington Northern & Sante Fe Railway, Kugler Company, McCook Community College, and various governmental and medical facilities. A Valmont Industries irrigation pivot plant and a State of Nebraska prison work camp will provide more employment opportunities in the near future. Unemployment in the assessment area is relatively low at 2.7% based on July 1999 information from the Nebraska Department of Labor. Competition for financial services is very strong. Eleven other financial institutions, with total assets ranging from \$11 million to \$135 million, are chartered in the assessment area, and there are sixteen total financial institutions operating a total of eighteen offices in the assessment area.

Examiners conducted one community contact during this CRA examination and reviewed two other community contacts conducted previously in the assessment area. Discussions with community leaders revealed agriculture and small business credit as the primary credit needs of the community. FCB offers and originates these types of loans.

## Conclusions with Respect to Performance Criteria

### Lending to Farms and Businesses of Different Sizes

FCB has an adequate record of lending to agricultural borrowers of different sizes. Because the bank is primarily an agricultural lender, we reviewed a sample of 20 agricultural loans totaling \$6.3 million to determine the bank's lending to farms of different sizes. All of the loans in this sample were made to farms located within the bank's assessment area and were originated or purchased since the bank began operating January 4, 1999.

<b>Agricultural Borrowers Sample</b>					
<b>Gross Annual Revenue (in 000s)</b>	<b>% of Farms in AA<sup>Ø</sup></b>	<b># of Loans</b>	<b>% of # of Loans</b>	<b>\$ Volume of Loans (in 000s)</b>	<b>% of \$ Volume of Loans</b>
less than \$100	63%	4	20%	275	5%
\$100 - \$249	24%	4	20%	950	17%
\$250 - \$499	9%	2	10%	581	10%
more than \$500 <sup>^</sup>	4%	6	30%	3,604	63%
Unknown*	0%	4	20%	309	5%
<b>Total</b>	<b>100%</b>	<b>20</b>	<b>100%</b>	<b>5,719</b>	<b>100%</b>

<sup>Ø</sup>Information from 1992 Census of Agriculture.

<sup>^</sup>All borrowers had gross annual revenues less than \$1 million.

\*Unknown: some small agricultural borrowers were not required to report current gross annual revenues.

The table above indicates that FCB made 50% of the number of agricultural loans originated or purchased since January 4, 1999, to businesses with gross annual revenues of \$500,000 or less. Demographic data from the 1992 Census of Agriculture reveals that 96% of the farms in the assessment area have gross annual revenues of less than \$500,000. All of the bank's agricultural borrowers with gross annual revenues greater than \$500,000 had gross annual revenues less than \$1 million. The "Unknown" portion of the sample were small agricultural borrowers who were not required to report gross annual revenue. It is reasonable to conclude that the "Unknown" portion of the agricultural borrowers would have gross annual revenues less than \$500,000, which would increase the bank's level of lending to agricultural borrowers with gross annual revenues of less than \$500,000 from 50% to 70%.

The bank has a satisfactory record of lending to commercial borrowers of different sizes. We also reviewed a sample of 16 commercial loans totaling \$2.4 million to determine the level of lending to businesses of different sizes. All of the loans in this sample were made to businesses located within the bank's assessment area and were originated or purchased since the bank began operating January 4, 1999.

<b>Commercial Borrowers Sample</b>					
<b>Gross Annual Revenue (in 000s)</b>	<b>% of Businesses in AA<sup>Ø</sup></b>	<b># of Loans</b>	<b>% of # of Loans</b>	<b>\$ Volume of Loans (in 000s)</b>	<b>% of \$ Volume of Loans</b>
less than \$1,000	93%	13	81%	2,273	95%
more than \$1,000	7%	2	12%	65	3%
Unknown*	0%	1	7%	41	2%
<b>Total</b>	<b>100%</b>	<b>16</b>	<b>100%</b>	<b>2,379</b>	<b>100%</b>

<sup>Ø</sup>Information from 1999 Dunn and Bradstreet business survey.

\*Unknown: one small commercial borrower was not required to report current gross annual revenue.

The table above indicates that FCB made 81% of their loans to businesses with gross annual revenues of less than \$1 million. Demographic data from the 1999 Dunn and Bradstreet business survey indicates 93% of the businesses in the assessment area have gross annual revenues of less than \$1 million. The “Unknown” portion of the sample was a small commercial borrower who was not required to report gross annual revenue. It is reasonable to conclude that the “Unknown” portion of the commercial borrower sample would have gross annual revenue of less than \$1 million, which would increase the bank’s level of lending to commercial borrowers with gross annual revenues of less than \$1 million from 81% to 88%.

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

The bank maintains a very good loan-to-deposit ratio through its first two quarters of operation. Over those two quarters, the loan-to-deposit ratio averaged 96%. FCB’s ratio is the highest when compared to the other eleven financial institutions chartered in the assessment area over those two quarters. The high loan-to-deposit ratio is partially due to FCB purchasing loans around the McCook area from their affiliate bank in Cambridge and also due to the new bank attempting to gain a solid local deposit base. We typically will review an eight quarter average of the loan-to-deposit ratio to account for seasonal fluctuations in loan volume. The eight quarter average for the other eleven financial institutions in the assessment area is 67%, with a range of 53% to 84%.

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

FCB’s record of originating and purchasing loans within the assessment area is good. FCB originates the majority of its agricultural and commercial loans to borrowers within the assessment area. We sampled loans to 22 agricultural borrowers totaling \$6.3 million. We found that 91% of the agricultural loans by number and 91% of the loans by dollar volume were to borrowers located within the assessment area. We also sampled 20 commercial loans totaling \$4.5 million. We found that 80% of the loans by number and 53% of the loans by dollar volume were to borrowers located within the

assessment area. The dollar volume of commercial loans in the assessment area is below that of agricultural borrowers because four large borrower relationships outside the assessment area were established through the affiliate bank in Cambridge.

### **Geographic Distribution of Loans**

Specific analysis of the geographic distribution of loans is not meaningful. FCB's assessment area contains six BNAs, which are all designated as middle-income.

### **Response to Complaints**

The bank has not received any complaints regarding its CRA performance since it began operating on January 4, 1999.

### **Record of Compliance with Anti-discrimination Laws**

We did not identify any violations of anti-discrimination laws. Our fair lending review consisted of a review of consumer loan policies, questions directed toward loan underwriters, and a review of ten diverse loan files from January 4, 1999, through October 29, 1999. We did not find any practices intended to discourage applicants for the types of credit the bank offers.