



Public Disclosure

October 12, 1999

Community Reinvestment Act Performance Evaluation

**The First National Bank of Stromsburg
Charter Number 8286**

**123 E. 4th Street
Stromsburg, Nebraska 68666**

**Office of the Comptroller of the Currency
Omaha South Field Office
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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 The First National Bank of Stromsburg prepared by The Office of the Comptroller of the Currency, as of October 12, 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**.

The First National Bank of Stromsburg (FNB) adequately meets the credit needs of its assessment area. The bank's primary lending activity is centered around agriculture.

- # FNB has a good record of lending to agricultural borrowers of different sizes and families of different income levels.
- # FNB's average loan-to-deposit ratio since the last CRA examination is reasonable.
- # FNB originates the majority of its loans in the assessment area.

Description of the Institution

FNB is a \$25 million independent financial institution located in east-central Nebraska. The bank is located in Stromsburg and does not operate ATMs or branches. FNB's net loans and leases totaled 57.64% of total assets as of June 30, 1999. FNB primarily focuses on agricultural lending. The following chart displays FNB's loan portfolio composition as of September 30, 1999.

Loan Portfolio Composition				
Loan Type	# of Notes	% of # of Notes	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
Agriculture	187	35%	10,197	69%
Commercial	78	15%	1,574	11%
1-4 Family Residential Real Estate	59	11%	1,634	11%
Consumer	188	36%	1,036	7%
Other	15	3%	346	2%
Total	527	100%	14,787	100%

FNB received a "Satisfactory" rating during the May 5, 1997 CRA examination. There are no 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

FNB has designated four block numbering areas (BNAs) as its assessment area (AA), which includes all of Polk County and a portion of York County. Three of the BNAs are middle-income and one BNA is low-income. The AA does not contain any Metropolitan Statistical Areas. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

According to 1990 census data, 8,963 people reside in the AA, with 1,241 people in Stromsburg, 879 in Osceola, and 1,912 in six other towns. 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 AA is as follows: low-income 15%, moderate-income 16%, middle-income 26%, and upper-income 43%. Nine percent of families in the AA are below the poverty level. According to 1990 census data, the median housing value in the AA is \$31,555 and 63% of housing is owner-occupied.

The local economy is heavily dependent on agriculture and 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 AA. The major employers in the Stromsburg area include the Covenant Home Midwest, Polk County Rural Public Power District, and Overland Ready Mix-Sand & Gravel. The communities of Columbus and York also provide numerous job opportunities for area residents. Unemployment in the AA is low at 1.7% based on July 1999 Nebraska Department of Labor information. Competition for financial services is strong as four other financial institutions are chartered in the AA. All of the financial institutions are of similar size and all have only one office.

Examiners conducted one community contact during this CRA examination and reviewed five other community contacts conducted previously in the AA. Discussions with community leaders and area business owners revealed agriculture, low-and moderate-income housing, and small business credit as the primary credit needs of the community. FNB offers and originates these types of loans.

Conclusions with Respect to Performance Criteria

Lending to Businesses of Different Sizes and Borrowers of Different Income Levels

FNB has a good record of lending to agricultural borrowers of different sizes within the AA. Because the bank is primarily an agricultural lender, we reviewed a sample of 24 agricultural loans totaling \$2.2 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 AA and were originated since the last CRA examination.

Agricultural Borrowers Sample					
Gross Annual Revenue (in 000s)	% of Farms in AA	# of Loans	% of # of Loans	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
less than \$100	59%	10	42%	440	20%
\$100 - \$249	29%	7	29%	789	35%
\$250 - \$499	8%	4	17%	858	39%
\$500 or greater	4%	0	0%	0	0%
Unknown*	0%	3	12%	138	6%
Total	100%	24	100%	2,225	100%

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

The table on the preceding page indicates that FNB made 88% of the number of agricultural loans

originated since the last CRA examination to businesses with gross annual revenues of \$500,000 or less. Demographic data from the 1992 Census of Agricultural reveals that 96% of the farms in the AA have gross annual revenues of less than \$500,000. The “Unknown” portion of the sample consisted of 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 in the AA would have gross annual revenues less than \$500,000, which would be 100% of the number of agricultural loans.

The bank has a satisfactory record of lending to individuals of different income levels. We also reviewed a sample of 21 residential real estate loans totaling \$1.2 million to determine the level of lending to borrowers of different income levels. All of the loans in this sample were made to individuals located within the bank’s AA and were originated since the last CRA examination.

1 - 4 Family Residential Real Estate Sample					
Income Level	% of Families in AA	# of Loans	% of # of Loans	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
Low	15%	3	14%	64	5%
Moderate	16%	2	10%	73	6%
Middle	26%	7	33%	395	33%
Upper	43%	9	43%	676	56%
Total	100%	21	100%	1,208	100%

The table above indicates that FNB made 24% of their loans to low- and moderate-income borrowers, compared to 31% found in the demographic data. One community contact specifically noted there is a lack of moderately-priced homes in the area, which would explain the variance between the number of loans made to moderate-income borrowers and the demographic data.

Loan-to-Deposit Ratio

The bank maintains a good loan-to-deposit ratio. Over the last nine quarters, the loan-to-deposit ratio averaged 77%. FNB’s ratio ranks third out of the other five similarly situated financial institutions chartered in the AA. The nine quarter average of all the banks in the AA is 80%, with a range of 65% to 96%.

Lending in the Assessment Area

FNB originates the majority of its agricultural loans to borrowers within the AA. We sampled loans to 25 agricultural borrowers totaling \$2.2 million. We found that 96% of the loans by number and 99% of the loans by dollar volume were to borrowers located within the AA. We also sampled 22 residential real estate loans totaling \$1.2 million. We found that 95% of the loans by number and 97% of the loans by dollar volume were to borrowers located within the AA.

Geographic Distribution of Loans

Specific analysis of the geographic distribution of loans is not meaningful. FNB's AA contains four BNAs. Three of the BNAs are middle-income and one BNA is low-income. The low-income BNA contains only 31 people, or 0.3% of the population in the AA, and is predominately made up of vacation homes along the Platte River.

Response to Complaints

The bank has not received any complaints regarding its CRA performance since the last CRA examination.

Record of Compliance with Anti-discrimination Laws

We did not identify any violations of anti-discrimination laws. Our fair lending review consisted of analyzing rates and terms granted to all individual female and all individual male borrowers for direct automobile loans from January 1, 1999 through October 1, 1999. Our review included six loans to females and seventeen loans to males. We did not note any practices intended to discourage applicants for the types of credit the bank offers.