



Public Disclosure

April 15, 1999

Community Reinvestment Act Performance Evaluation

**The First National Bank of Farragut
Charter Number 6700**

**801 South Fremont
Shenandoah, Iowa 51601**

**Office of the Comptroller of the Currency
Omaha North 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 **The First National Bank of Farragut** prepared by The Office of the Comptroller of the Currency (OCC), as of **April 15, 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."

- C The First National Bank of Farragut meets the credit needs of its assessment area.
- C The bank's lending efforts result in reasonable penetration of farms and businesses of different sizes.
- C The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- C The bank lends mostly to borrowers located within its assessment area.

Description of Institution

The First National Bank of Farragut (FNB) is a \$19 million financial institution located in Southwest Iowa. The bank's main office is a full-service facility located in Shenandoah, Iowa. FNB also operates a full-service branch facility eight miles west, in Farragut, Iowa. The bank owns one automated teller machine (ATM) located at the Shenandoah office. FNB offers a variety of loan and deposit products. The bank also offers 15- and 30-year fixed rate mortgages through Iowa Bankers Mortgage Corporation, Irwin Mortgage, and First Mortgage Center.

First National Bancorp, a one-bank holding company, owns 100% of FNB. The OCC assigned a rating of "Satisfactory" at the April 1, 1996 CRA examination. The evaluation period for this CRA examination covers the period from April 2, 1996 to April 15, 1999.

Farm, business, and 1-4 family residential real estate loans represent a majority of the bank's loan originations. As of April 15, 1999, outstanding loans comprised 56% of FNB's total assets. The following table illustrates FNB's loan portfolio composition as of April 15, 1999 based on loan originations since January 1, 1998 (data prior to this date was not readily available). According to bank management, originations since January 1, 1998 accurately reflect loan originations since the last CRA examination.

COMPOSITION OF LOAN PORTFOLIO				
Loan Type	Number	Percent	Balance (\$000's)	Percent
Farm	322	29%	\$3,184	30%
Business	188	17%	\$2,540	24%
1-4 Family Residential RE	86	8%	\$2,722	26%
Consumer-Auto	293	27%	\$1,626	16%
Consumer-Other	209	19%	\$ 400	4%
Total	1,098	100%	\$10,472	100%

There are no financial or legal impediments limiting the bank's ability to meet the credit needs of its assessment area.

Description of FNB's Assessment Area

FNB's assessment area (AA) includes the eastern portion of Fremont County, and the city of Shenandoah in Page County. The AA is primarily rural, but includes the communities of Shenandoah, Farragut, Imogene, Randolph, and Riverton. The 1990 U.S. Census (Census) divided the AA into three block numbering areas (BNAs). The Census designated two of the BNAs as middle-income and one BNA in Shenandoah as moderate-income. The AA meets the requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The AA population is 8,361 according to the Census. Approximately 60% of the AA population resides in Shenandoah. The 1999 statewide non-metropolitan median family income (non-metro MFI) for Iowa is \$42,100. The Census categorizes the distribution of families by income level within the AA as 24% low-, 17% moderate-, 26% middle-, and 33% upper-income. The Census reports that 10% of the families reported annual income below the poverty level (income less than \$21,050 or 50% of the non-metro MFI). The Census reports 2,372 families within the AA. The Census determined the median housing value within the AA was \$32,451, with 62% of the housing units owner occupied.

Manufacturing, agriculture, and retail trade industries contribute significantly to the economy of the AA according to the U.S. Department of Commerce Bureau of Analysis' Regional Economic Information System. Major employers include Pella Corporation (window manufacturer), Eaton Corporation (transmission manufacturer), Earl May (garden center and nursery retailer), and Diamond D (trailer manufacturer). The State of Iowa Workforce Development LMI Bureau reported unemployment rates of 2.9% and 3.2% as of February 1999 for Fremont County and Page County, respectively.

The primary credit needs identified by the bank include agriculture and housing. Examiners confirmed these needs by contacting a local Realtor and through a previous community contact made during another area financial institution CRA examination. There are nine financial institutions competing for loans and deposits within the bank's AA.

Conclusions with Respect to Performance Criteria

Lending to Farms and Businesses of Different Sizes

The bank lends to farms and businesses of different sizes with special emphasis on small farms and businesses. We reviewed a sample of 40 business and farm loan customers within the bank's AA to determine this. The bank lends primarily to small farms and small businesses. The Census disclosed that 100% of the farms and 80% of the businesses within the AA report revenues less than \$1 million.

The tables below summarize the bank's lending to farms and businesses of different sizes based on the

original dollar amount of the loan(s) for each borrower. We used loan size as a proxy for business size because gross income information was not readily available in most cases.

Farm Loan Distribution By Loan Size		
Original Amount	Number	Percent
\$0 to \$99,000	11	55%
\$100,000 to \$249,000	8	40%
\$250,000 to \$499,000	1	5%
Total	20	100%

Business Loan Distribution By Loan Size		
Original Amount	Number	Percent
\$0 to \$99,999	14	70%
\$100,000 to \$249,000	3	15%
\$250,000 to \$499,000	2	10%
\$500,000 to \$750,000	1	5%
Total	20	100%

Lending to Borrowers of Different Income Levels

The bank originates a reasonable level of loans to borrowers of different income levels. We reviewed a sample of 16 residential real estate loans (purchase money) to determine this. The following table summarizes the results of our review of these loans. The table also compares borrower income levels to the AA’s demographics.

Distribution of Borrower Income Level					
Income Level	Number	Percent	Original Amount (000's)	Percent	Census Percent
Low	1	6%	\$20	3%	24%
Moderate	3	19%	\$92	13%	17%
Middle	7	44%	\$256	37%	26%
Upper	5	31%	\$326	47%	33%
Total	16	100%	\$694	100%	100%

The bank has taken reasonable action to increase the level of lending to low- and moderate-income (LMI) individuals and families. For example, the bank actively advertised a home loan program targeting LMI persons in 1997 and 1998. Bank management stated, however, no loans were made using this program due to a lack of applications from LMI individuals and families.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the AA. FNB's AA includes one moderate-income and two middle-income areas. The bank reported that 13% of all loan originations, by number and dollar amount from January 1, 1998 through April 19, 1999, were made to borrowers located inside the moderate-income BNA. We verified the accuracy of the bank's geographic distribution data by reviewing a sample of loan originations and the bank's process to record a borrower's location.

Comparison of Credit Extended Inside and Outside of the Assessment Area

The bank originates a majority of its loans within the AA. The bank reported 68% of all loan originations, by number and dollar amount from January 1, 1998 through April 19, 1999, were made to borrowers located inside the AA. We verified this by reviewing a sample of farm, business, and residential real estate loan originations.

Loan-to-Deposit Ratio

FNB's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and AA credit needs. The LTD ratio was 55% as of December 31, 1998. Since March 31, 1996, the LTD ratio quarterly average was 60%. Nine similarly-situated banks reported average LTD ratios ranging from 43% to 87% for the same time period. The similarly-situated banks include financial institutions with offices in Page or Fremont County.

The bank's average LTD ratio does not include loans offered through the Iowa Bankers Mortgage Corporation, Irwin Mortgage, and the First Mortgage Center. Since 1997, the bank has processed 22 residential real estate loans totaling \$1.4 million through mortgage companies.

Response to Written Complaints

FNB has not received any complaints during this evaluation period.

Compliance with Antidiscrimination Laws and Regulations

The bank complies with antidiscrimination laws and regulations. We did not identify any evidence of discrimination or other illegal credit practices.