



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

March 10, 1998

Community Reinvestment Act Performance Evaluation

**THE CITIZENS FIRST NATIONAL BANK OF STORM LAKE
Charter Number 10034**

**Fifth and Lake Avenue
Storm Lake, Iowa 50588**

**Office of the Comptroller of the Currency
Omaha Field Office
11606 Nicholas Street, Suite 201
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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 Citizens First National Bank of Storm Lake prepared by The Office of the Comptroller of the Currency, as of March 10, 1998. 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 Citizens First National Bank of Storm Lake (CFNB) in Storm Lake, Iowa is reasonably meeting the credit needs of its community. A substantial majority of the bank's loans are made within the bank's assessment area. The bank's lending efforts reflect reasonable penetration to individuals of different income levels and farms and businesses of various sizes.

Description of Institution

CFNB is a \$160 million bank located in Northwest Iowa. The bank is 100% owned by First National Company, a one-bank holding company located in Storm Lake, Iowa. The bank's main office is located in Storm Lake at East 5th and Lake Avenue with branch offices in Storm Lake at Flindt and Richland and one in Early, Iowa at 201 N. Main St. The bank has one automated teller machine (ATM) located at the main bank. The bank's primary business focus is agricultural and commercial lending. There are no factors, including the bank's financial condition, which restrict the bank's ability to comply with the Community Reinvestment Act.

Description of Storm Lake, Iowa

CFNB's assessment area (AA) contains thirty-six block numbering areas (BNAs). The three bank/branch locations are located within the AA. The AA covers the following nine counties: Buena Vista, Calhoun, Cherokee, Clay, Ida, O'Brien, Palo Alto, Pocahontas and Sac County. The AA is not located in a Metropolitan Statistical Area (MSA).

Thirty-five of the thirty-six BNAs were designated middle income in the 1990 census, and one was designated moderate-income, which is located in Palo Alto County. The statewide nonmetropolitan updated median family income is \$39,200, while the AA median family income is \$28,167. The 1990 census information indicated 17% of the families in the assessment area are low income, 21% moderate income, 28% middle income, and 34% upper income. Twelve

percent of the households are below the poverty level. The median housing value is \$32,383 and 64% of the homes are owner-occupied. Agriculture is the primary industry in the area. Two livestock processing plants and a small, private university provide other sources of revenue for the bank's customers.

The primary needs identified by the bank are small farm and business, residential real estate and consumer loans. Our community contacts confirmed these as the community's main credit needs. Competition results from 47 other financial institutions within the bank's assessment area.

Conclusions with Respect to Performance Criteria

CFNB's eleven quarter average loan-to-deposit ratio is reasonable but falls in the bottom half of other competitors in the community. As of December 31, 1997, the bank's eleven quarter average loan-to-deposit ratio was 53% which ranks 36th of 48 in comparison to the other banks in their AA. The eleven quarter, 48 bank average was 63% with banks ranging from 9% to 95%. The bank's actual lending activity is somewhat higher than the loan-to-deposit ratio because the bank sells loan participations and loans in the secondary market. In 1996 and 1997, the bank originated and sold 14 and 11 Fannie Mae loans totaling \$754,325 and \$776,650, respectively.

A substantial majority of the bank's loans are made to borrowers who live within the AA. We sampled 30 agricultural and 30 residential real estate loans originated in 1996 and 1997 as indications of lending levels inside the bank's assessment area. We sampled these loan categories since they represent 64% of the bank's loan portfolio. The tables below summarize our findings.

Sample of Agricultural Loans originated in 1996 and 1997				
	Number	Number (%)	\$ Volume	\$ Volume (%)
Inside assessment area	30	100%	\$6,348,000	100%
Outside assessment area	0	0%	\$0	0%
Total	30	100%	\$6,348,000	100%

Sample of Residential Real Estate Loans originated in 1996 and 1997				
	Number	Number (%)	\$ Volume	\$ Volume (%)
Inside assessment area	29	97%	\$283,964	91%
Outside assessment area	1	3%	\$29,633	9%
Total	30	100%	\$313,597	100%

The bank makes loans in all of the different income geographies in their assessment area. There is only one moderate-income BNA, and it has low penetration. However, this is satisfactorily explained by its long distance from the main bank. The BNA is located on the outside perimeter of the bank's assessment area. There are other closer financial institutions which serve this moderate-income BNA.

The bank has a reasonable penetration of loans to agricultural and commercial borrowers of different sizes and borrowers of different incomes. We used the agricultural, commercial and residential real estate loan categories to determine the bank's level of lending to these categories. The tables below summarize our findings.

Sample of Agricultural Loans originated in 1996 and 1997				
Gross Revenues	Number	Number (%)	\$ Loan Amount	\$ Loan Amount (%)
\$0 - \$100,000	11	37%	\$585,000	9%
\$100,001-\$300,000	12	40%	\$1,932,000	31%
\$300,001-\$500,000	3	10%	\$1,279,000	20%
>\$500,001	4	13%	\$2,552,000	40%
Total	30	100%	\$6,348,000	100%

Sample of Commercial Loans originated in 1996 and 1997				
Gross Revenues	Number	Number (%)	\$ Loan Amount	\$ Loan Amount (%)
\$0 - \$100,000	9	33%	\$1,332,000	15%
\$100,001-\$300,000	10	37%	\$2,753,000	30%
\$300,001-\$1,000,000	3	11%	\$902,000	10%
>\$1,000,001	5	19%	\$4,152,000	45%
Total	27	100%	\$9,139,000	100%

In addition to the above agricultural and commercial loans, the bank participates in Farm Service Agency (FSA) and Small Business Administration (SBA) loans.

CFNB achieved reasonable portfolio percentages among borrowers of different income levels when compared to the percentage of families at each income level within the bank's assessment area. The table below summarizes our conclusion.

Sample of Residential Real Estate Loans originated in 1996 and 1997					
Income Levels	# of loans	# of loans (%)	% of families within all income tract categories of the bank's AAs	\$ Volume	\$ Volume (%)
Low	3	10%	5%*	\$51,408	5%
Moderate	3	10%	21%	\$48,912	4%
Middle	10	33%	28%	\$379,344	32%
Upper	14	47%	34%	\$702,684	59%
Total	30	100%	88%[^]	\$1,182,348	100%

* We adjusted the percentage of families who are low-income (17%) to exclude the families who are below the poverty level because it is highly unlikely they could afford to borrow. This resulted in approximately 5% of the low-income families (with incomes between 30%-50% of the median) who could potentially become borrowers.

[^] This column does not total to 100% due to the exclusion of the 12 percent of families who are below the poverty level.

In addition to the above, CFNB participates in the Fannie Mae (FNMA) government guaranteed loan program and works in conjunction with Iowa Finance Authority for first time home buyers. The first time home buyers program, which the bank began in January 1998, requires applicants to meet low income guidelines and requires no money down. The bank assisted two first time home buyers with loans totaling \$100M.

CFNB is in compliance with antidiscrimination laws and regulations. Our review did not disclose any evidence of discrimination or other illegal credit practices.