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**PUBLIC DISCLOSURE**

October 6, 1997

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**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**FIRST AMERICAN BANK  
RSSD # 593847**

6<sup>th</sup> & Grand, P.O. Box 1747  
Ames, Iowa 50010-1747

**FEDERAL RESERVE BANK  
OF CHICAGO  
230 South LaSalle  
Chicago, Illinois 60604**

**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 operations 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 American Bank, Ames, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 6, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION'S RATING:** This institution is rated satisfactory.

The bank's performance relating to its loan-to-deposit ratio, and assessment area concentration of loans was excellent. Lending to borrowers with different characteristics was good and the geographic distribution of loans was adequate, considering that the only low-income block numbering area with any opportunity for lending activity was not penetrated with any products. No CRA-related complaints were filed since the previous examination.

**DESCRIPTION OF INSTITUTION**

First American Bank, with total assets of \$55.6 million as of June 30, 1997, is a subsidiary of First American Bank Group, LTD, a four-bank holding company. The bank=s two offices are located in Story County, which is in the central portion of the State of Iowa. The bank=s main office is located in Ames and a full-service branch office is located in Roland; a subsidiary, First American Insurance Services, is also located in the Roland office. The bank=s primary lending focus is commercially oriented with a concentration of loans in the retail real estate sector. However, it offers an array of credit and deposit products from both offices. Although the bank operates no automated teller machines (ATM), it does issue ATM cards which have the ability to access national ATM networks. Based on its financial condition, size, product offerings, prior performance and legal impediments, the bank is deemed capable of meeting the various community credit needs.

According to senior management, the bank=s main competitors include: First National Bank Ames, Iowa; Story County Bank (branch of Story City); Firststar Bank Iowa, National Association (branches of Des Moines); Norwest Bank Iowa, National Association (branch of Des Moines); and AmerUS Bank ( branch of Des Moines).

**DESCRIPTION OF ASSESSMENT AREA**

The bank=s assessment area consists of 15 block numbering areas (BNAs), all located in Story County. Two BNAs are low-income (5.00 and 8.00), five are middle-income (7.00, 10.00, 12.00, 13.01 and 106.00), and eight are upper-income (1.00, 2.00, 3.00, 4.00, 6.00, 9.00, 11.00 and 13.02). The assessment area does not consist of any moderate-income BNAs.

According to 1990 census data, the assessment area=s total population included 56,636 residents; 51,465 (90.9%) White, 3,309 (5.8%) Asian, 1,176 (2.1%) Black, 617 (1.1%) Hispanic, 64 (0.1%) American Indian and five (0.0%) Other. Approximately 17% of the population was 17 years of age or younger and almost 18% resided in college dormitories. The assessment area median family income was \$36,886; there were 1,678 (15.2%) low-income families, 1,280 (11.6%) moderate-income families, 2,242 (20.3%) middle-income families, 5,852 (52.9%) upper-income families and 993 families or 9.0% lived below the poverty level.

There were 19,760 total housing units located within the assessment area; owner-occupied housing represented 9,601 (48.6%) units, rentals represented 9,594 (48.6%) units and there were 565 (2.8%) vacant housing units. The median housing value was \$70,190 and the median gross rent was \$399.

According to the United States Bureau of Labor Statistics, recent unemployment labor statistics for Story County and the State of Iowa are as follows:

<b>Area</b>	<b>August 1997</b>	<b>August 1996</b>
Story County	2.4%	2.8%
State of Iowa	2.5%	3.5%

During the 12 month period which ended August 31, 1997, there was a significant decrease in the State unemployment rate. The unemployment rate in Story County remained basically stable.

The major employers in the area are Iowa State University (a public university employing 12,500), Mary Greeley Medical Center (a health service provider employing 1,600), Iowa Department of Transportation (a public agency with 1,114 employees), Ames Community School District employing 637, and the City of Ames with 500 employees. The assessment area's major manufacturers, according to the 1997 Iowa Manufacturers Register, are discussed in the following table:

Employer	# Employed	Product\Service
Sauer-Sundstrand	500	Hydraulic components and transmissions
3M Company	400	Industrial brushes, coated abrasives sheets and discs
Hach Company	285	Water analysis reagents and equipment
General Filter Company	170	Water filters, aerators and waste treatment equipment
Partnership Press, Inc.	120	Newspaper printing

According to information on economic patterns obtained from the Regional Economic Information System, during the period 1990 to 1994, full- and part-time establishment jobs increased by 6.4% (from 47,627 to 50,689) in Story County.

Information gained from interviews conducted with two community representatives indicated that affordable housing and commercial lending programs were needed in the assessment area. They indicated that the current area growth is expected to continue.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The bank was in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and Fair Housing Act. Specific discussions of the bank's loan-to-deposit ratio and performance relating to lending within the assessment area, the geographic distribution of loans, and lending to borrowers with different characteristics is described below.

**LOAN-TO-DEPOSIT RATIO**

At June 30, 1997, the bank's loan-to-deposit (L/D) ratio was 85.2% and peer group L/D was 66.2%. The average L/D ratio for the six quarters which ended June 30, 1997 was 79.6%. The following table presents the bank's L/D ratio at June 30, 1997 and June 30, 1996 and a comparison to other financial institutions with home offices in the assessment area.

Institution	Assets @ 06/30/97	L/D @ 06/30/97	L/D @ 06/30/96
First American Bank, Ames, IA	\$55,583,000	85.2%	76.8%

Institution	Assets @ 06/30/97	L/D @ 06/30/97	L/D @ 06/30/96
First National Bank Ames, IA	\$291,035,000	56.1%	53.9%
Story County Bank & Trust Company, Story City, IA	\$91,420,000	69.4%	58.7%

According to the Uniform Bank Performance Report (UBPR), dated June 30, 1997, the bank's performance compared to peer is illustrated in the following chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development		
1 - 4 Family Residential	6.5	1.4
Home Equity	19.7	27.0
Other Real Estate	1.9	0.1
Farmland	35.9	21.4
Multi-family	5.5	7.3
Commercial	3.7	0.3
TOTAL REAL ESTATE LOANS	26.7	11.3
LOANS TO INDIVIDUALS	61.7	53.3
CREDIT CARD LOANS	5.3	14.5
COMMERCIAL & INDUSTRIAL LOANS	0.7	0.2
AGRICULTURAL LOANS	26.3	14.0
MUNICIPAL LOANS	6.7	10.6
OTHER LOANS*	0.0	0.3
	0.1	0.2
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

As the above table indicates, the loan portfolio mix favorably compares to the peer group with the exceptions of loans to individuals which is 9.2% less than peer and commercial and industrial loans which is 12.3% greater than the peer group. Management stated that the differences in of the bank's loan portfolio and the peer group is primarily due to the bank's lending focus and strategy.

The following table depicts the bank's distribution by loan type, according to the Consolidated Report of Condition as of June 30, 1997:

LOAN TYPE	DOLLAR AMOUNT	PERCENT OF
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	OUTSTANDING (000's)	TOTAL LOANS
REAL ESTATE		
Construction	2,314	5.9
Residential (1-4)	7,544	19.5
Commercial	11,138	28.6
Agricultural	2,156	5.5
Multi-family	1,403	3.6
CONSUMER	2,077	5.3
COMMERCIAL AND INDUSTRIAL	9,621	24.7
AGRICULTURAL	2,639	6.8
OTHER	38	0.1

Approximately 66% of the loan portfolio was secured by commercial/agricultural-related loans with almost 29% secured by residential real estate-related loans.

**Conclusion:**

The bank's loan-to-deposit ratio is higher than its peer group and compares very favorably to banks with home offices in the assessment area. At June 30, 1997, commercial and agricultural loans represented a significant percentage of the loan portfolio. However, the loan portfolio mix is similar to the peer group. First American Bank's loan-to-deposit ratios are strong considering the bank's size, financial condition, assessment area's credit needs, and the local capacity to lend. Its performance exceeds the expectation for satisfactory performance.

**LENDING IN ASSESSMENT AREA**

The review of a seven month sample of 178 commercial and agricultural loans (March 1, 1997 through September 30, 1997) and eight month sample of 149 consumer personal, home equity lines of credit and real estate loans (March 1, 1997 through October 31, 1997) revealed the following geographic distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Consumer Personal	99	76	76.8
Home Equity Lines of	38	31	81.6

Credit			
Real Estate	12	9	75.0
Commercial Loans	93	78	83.9
Agricultural Loans	85	61	71.8
Total	327	255	78.0

The total dollar value of the CRA sample of 327 loans was \$12.6 million, of which, approximately \$10.3 million or 81.3% was originated in the assessment area.

**Conclusion**

A substantial majority of originated loans and the dollar value of these loans were originated in the assessment area. Approximately 78% of total loans and over 81% of the dollar value of the sample of loans were originated within the assessment area. This performance exceeds the expectation for satisfactory performance.

**GEOGRAPHIC DISTRIBUTION OF LOANS**

The geographic distribution of loans was analyzed based on BNA income levels. The breakdown of the bank’s assessment area by BNA income level is as follows: 13.3% low-income, 33.3% middle-income, and 53.4% upper-income. A sample of 117 retail loans were reviewed to determine the bank’s level of performance. The findings are presented in the following table:

Census Tract	Population	Number of Loans	Percent of Number of Loans	Dollar Amount of Loans	Percent of Dollar Amount of Loans
1.00/Upper	4,344	20	17.1	\$355,211	20.4
2.00/Upper	3,979	7	6.0	\$102,999	5.9

3.00/Upper	3,180	5	4.3	\$48,979	2.8
4.00/Upper	2,619	10	8.6	\$101,702	5.9
5.00/Low	3,168	0	0.0	0	0.0
6.00/Upper	3,888	7	6.0	\$141,989	8.2
7.00/Middle	3,260	2	1.7	\$7,812	0.5
8.00/Low	5,266	0	0.0	0	0.0
9.00/Upper	4,329	7	6.0	\$155,041	8.9
10.00/Middle	3,747	2	1.8	\$18,687	1.1
11.00/Upper	6,250	0	0.0	0	0.0
12.00/Middle	1,830	0	0.0	0	0.0
13.01/Middle	3,074	4	3.4	\$166,552	9.6
13.02/Upper	2,885	3	2.6	\$166,366	9.6
106/Middle	4,817	50	42.7	\$472,220	27.2
Total	56,636	117	100.0	\$1,737,558	100.0

No loans were granted in four BNAs, two low-income, one middle-income, and one upper-income. Although 5,266 persons are indicated as residing in low-income BNA 8.00, this area is located on the Iowa State University campus and includes no families or households. However, low-income BNA 5.00 included 1,223 household and provided lending opportunities for the bank.

**Conclusion**

The bank made no loans in the assessment area=s low-income BNAs and there were no moderate-income BNAs. Approximately 50.4% of 117 loans and 61.6% of the dollar value of these loans were made in upper-income geographies and 49.6% of the loans and 38.4% of the dollar value were originated in middle-income BNAs. The distribution of loans indicate an adequate dispersion of loans, considering that no loans were made in low-income BNA 5.00.

**LENDING TO BORROWERS OF DIFFERENT CHARACTERISTICS**

The bank=s performance regarding lending to borrowers with different income levels was analyzed in the context of the family income distribution in the assessment area. There were 15.2% low-income families, 11.6% moderate-income families, 20.3% middle-income families, and 52.9% upper-income families. Approximately 17% of the population was 17 years of age or younger and almost 18% resided in college dormitories. A sample of 98 retail loans were reviewed to determine the bank=s performance in lending to borrowers with different income-levels.

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LOAN TYPE	LOW-INCOME \$000's/Number	MODERATE- INCOME \$000's/Number	MIDDLE- INCOME \$000's/Number	UPPER- INCOME \$000's/Number
Consumer	\$24/9	\$39/8	\$177/13	\$783/78
Home Equity	\$0/0	\$5/1	\$5/1	\$247/13
Real Estate	\$0/0	\$0/0	\$37/1	\$424/7
Total	\$24/9	\$44/9	\$219/15	\$1,454/98

As the above table indicates, 6.9% of the sample of loans and 1.4% of the dollar value of loans were granted to low-income families, 6.9% of loans and 2.5% of the dollar value were granted to moderate-income families, 11.5% of loans and 12.6% of the dollar value were granted to middle-income families, and 74.8% of loans and 83.5% of the dollar value were granted to upper-income families.

In general, the bank does not collect information pertaining to the revenue of its business customers. Lending to businesses of different revenue sizes was reviewed using information from Consolidated Reports of Condition. According to the June 1996 and June 1997 Consolidated Reports of Condition, the distribution of the bank's small business portfolio, by number and loan amount within certain dollar categories is as follows:

Small Business Loans	1997 Number	1997 Amount (\$000)	1996 Number	1996 Amount (\$000)
Less than or equal to \$100,000	241	\$6,960	290	\$7,596
Greater than	49	\$6,889	45	\$6,384

\$100,000 through \$250,000				
Greater than \$250,000 through \$1 million	7	\$2,127	5	\$1,533
Total	297	\$15,976	340	\$15,513

As the above table illustrates, originations with loan amounts of \$100,000 or less represented 81.1% and 85.3% of total small business loans in June 1997 and June 1996, respectively. At June 30, 1997, small business loans (amounts of less than \$1 million and described as loans secured by nonfarm nonresidential properties and commercial and industrial loans) represented 77.0% of the business loan portfolio. All 141 small farm loans, reported in the June 30, 1997 Consolidated Report of Condition, were for amounts of \$100,000 or less.

The bank's analysis of the CRA sample of commercial loans revealed a similar distribution to the Consolidated Reports of Condition. Approximately 98.9% of 178 commercial loans were originated for \$250,000 or less.

**Conclusion**

The vast majority of commercial lending qualifies as small business/farm loans. Almost 27% of assessment area families live at the low- and moderate-income levels. Approximately 13.8% of 98 consumer loans and 3.9% of the dollar value of the loans were originated to low- and moderate-income families. A significant portion of the assessment area population is comprised of college students. Considering local demographics, the distribution of loans to borrowers of different income levels and businesses of different revenue sizes reflect reasonable penetration.

**RESPONSE TO COMPLAINTS**

No CRA-related complaints were filed since the previous examination.