

**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, Jewell, 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 assessment of the bank's efforts to meet the credit needs of its community indicates that the bank's performance is satisfactory. The percentage of lending within the assessment area is high. The bank's loan-to-deposit ratio is reasonable, given the institution's size and local economic conditions. Lending to borrowers of different income levels and businesses of different sizes is reasonable. As assessment of the geographic distribution of lending was not conducted as there are no low- and moderate income geographies located within the bank's assessment area. No CRA-related complaints were received since the previous examination.

**DESCRIPTION OF INSTITUTION**

The First American Bank, with total assets of \$28.3 million as of September 30, 1997, is a subsidiary of First American Bank Group Inc., a four-bank holding company. The bank's main office is located in Jewell, Iowa, which is located approximately 60 miles north of Des Moines. The bank's only branch office is located three miles east, in the town of Ellsworth, Iowa, where only depository services are offered. The institution is a retail bank offering traditional loan and deposit services. The bank is primarily an agriculture lender, with agriculture loans comprising approximately 32% of the loan portfolio. Loans secured by commercial property and loans secured by farmland account for approximately 21% and 13% of the bank's loan portfolio, respectively.

The bank's competitors include First State Bank of Webster City, Iowa, with offices in Stanhope and Webster City; Randall-Story Bank, Story City, Iowa, with offices in Randall and Story City; Story County Bank and Trust, Story City Iowa; and Webster City Federal Savings Bank, Webster City.

**DESCRIPTION OF ASSESSMENT AREA**

The bank has defined its assessment area as block numbering area (BNA) 9602, a middle-income geography that is largely agricultural. Both the bank's main office in Jewell and its only branch in Ellsworth are located in Hamilton County, which also includes the community of Randall, Iowa. Major employers located within the area include: Uncle B's Bakery, Inc, Ellsworth; Frigidaire Co., Webster City (laundry equipment); and Van Diest Supply Co., Webster City (farm chemicals).

According to 1990 census data, the assessment area has a population of 3,593 and the City of Jewell has a population of approximately 1,200. The median family income for the assessment area is \$32,178. Of all families within the assessment area, 13.2% are low-income families, 15.9% are moderate-income, 30.5% are middle-income and 40.4% are upper-income. Minorities represent 2.2% of the assessment area population, and there are no areas in the assessment area with a high concentration of minorities.

The housing stock of the assessment area is 65.2% owner-occupied; 98.5% of all housing is one-to-four family residences. According to 1990 census data, the median housing value for the assessment area is \$36,100. Approximately 57% of specified owner-occupied housing units in the assessment area are valued at or below \$40,000, while approximately 41% are valued between \$41,000 and \$100,000 (specified units exclude mobile homes, houses with a business or medical office, houses on 10 or more acres, and housing units in multi-unit buildings).

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The institution is in compliance with the substantive provisions of anti-discrimination laws and

regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No prohibited discriminatory lending patterns or practices were detected during the examination.

**Loan-to-Deposit Ratio**

An analysis of the Consolidated Reports of Condition and Income since the previous examination revealed the following loan-to-deposit ratios:

<b>QUARTER ENDING</b>	<b>LOAN-TO-DEPOSIT RATIO (%)</b>
September 30, 1997	64.33
June 30, 1997	63.89
March 31, 1997	58.71
December 31, 1996	58.31
September 30, 1996	55.10
June 30, 1996	54.56
<b>Average</b>	<b>59.15</b>

The analysis revealed a six-quarter average loan-to-deposit ratio of 59.15%, with a 9.77% increase from June 30, 1996 to September 30, 1997. The September 30, 1997 ratio of 64.33%, is somewhat less than the average loan-to-deposit ratio for the bank's peer group of 69.74% for the same period.

The following chart reflects the loan-to-deposit ratios of the bank's competitors, according to the *Spring 1997 McFadden American Financial Directory*:

<b>Loan-to-Deposit Ratios of Competitors (data as of 12/31/96)</b>		
<b>Name of Competition</b>	<b>Assets (000s)</b>	<b>L-T-D Ratio (%)</b>
First State Bank of Webster City, Iowa	\$95,831	77.99
Randall-Story Bank, Story City, Iowa.	50,682	67.79
Story County Bank and Trust, Story City, Iowa	89,193	63.19
Webster City Federal Savings Bank, Webster City, Iowa.	93,811	77.31
<b>Average</b>	<b>\$82,379</b>	<b>71.57</b>

As the preceding charts illustrate, the bank's loan-to-deposit ratio is on an increasing trend and is reasonable in comparison to its local competitors and the peer group. Discussions with management, as well as community representatives revealed that the bank is aggressive in its

efforts to address the credit needs of the assessment area. Given the bank's size, financial condition, and assessment area credit needs, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

### Lending in Assessment Area

To determine the bank's level of lending within its assessment area, loan originations from March 31, 1997 through September 30, 1997 were reviewed. The review revealed the following level of lending within the assessment area:

LOAN TYPE	TOTAL # OF LOANS SAMPLED	# OF LOANS WITHIN THE ASSESSMENT AREA	% OF TOTAL LOANS WITHIN ASSESSMENT AREA
Installment and Single-Payment	112	69	61.61
Agricultural	122	98	80.33
Real Estate	24	21	87.50
Commercial	45	33	73.33
<b>Loan Sample Total</b>	<b>303</b>	<b>221</b>	<b>72.94</b>

As the preceding chart indicates, 72.94% of the loans originated during the six-month sample period were made to individuals and businesses located within the bank's assessment area. Based upon the high percentage of loans within the assessment area, the bank's lending meets the standards for satisfactory performance under this criterion.

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

The bank's small business, small farm, and consumer loans were reviewed to determine the bank's performance under this criterion.

#### Small Businesses and Small Farm Loans

Small business loans are defined as those loans with original amounts of \$1 million or less.

Small farm loans are defined as those loans with original amounts of \$500,000 or less.

Management stated that the entire commercial and agricultural loan portfolios are comprised of loans to small businesses and farms. A review of the bank's June 30, 1995, 1996, and 1997 Consolidated Reports of Condition and Income showed the following loans outstanding to small businesses and small farms:

<b>Loans Outstanding to Small Businesses/Small Farms</b>	<b>1995 (000s)</b>	<b>1996 (000s)</b>	<b>1997 (000s)</b>
Loans Secured by nonfarm/ nonresidential properties	\$2,695	\$2,377	\$3,309
Loans secured by farmland (including farm residential)	2,094	1,439	1,829
Loans to finance agricultural production	3,751	3,514	3,952
Commercial and industrial loans	2,462	2,940	1,882
<b>Total Loans Outstanding</b>	<b>\$11,002</b>	<b>\$10,270</b>	<b>\$10,972</b>

As the preceding chart illustrates, the bank's level of lending to farms and businesses has remained reasonably constant over the past three years. The dollar amount of outstanding commercial and industrial loans decreased markedly from June, 1996 to June, 1997; management attributed this to the maturity of some of the larger loans in the portfolio. The number of loans in this category actually increased from 80 to 88 during this period. There was also a significant increase in the number of loans secured by nonfarm/nonresidential properties over the same period.

### Consumer Loans

The bank does not routinely collect and record borrower income information for agriculture loans. Therefore, residential real estate loans and consumer (installment and single-payment) loans were used to conduct an analysis to determine the percentage of total loans made to low- and moderate-income borrowers. The bank prepared a report detailing all residential real estate and consumer loans originated within the six-month period of March 31, 1997 through September 30, 1997. The distribution of these loans to low- and moderate-income borrowers is as follows:

<b>Type of Loan</b>	<b>Total Number of Loan Originations</b>	<b>Loans to Low-Income Borrowers</b>	<b>Loans to Moderate-Income Borrowers</b>	<b>Percent of Total Loan Originations to Low- and Moderate-Income Borrowers</b>
Consumer Real Estate	24	3	2	20.83
Installment and Single-Payment	112	20	11	27.68
<b>Total</b>	<b>136</b>	<b>23</b>	<b>13</b>	<b>26.47</b>

As the preceding chart indicates, 26.47% of consumer real estate, installment and single-payment loans made during this period were to low- and moderate-income borrowers. This compares favorably to 1990 U.S. census data, which indicates that low- and moderate-income families constitute 29.10% of all families within the assessment area.

The analysis of the bank's lending to borrowers of different income levels and businesses of different sizes indicates that the bank meets the standards for satisfactory performance under this criterion.

### **Geographic Distribution of Loans**

An assessment of the geographic distribution of lending was not conducted as there are no low- and moderate income geographies located within the bank's assessment area.

**Response to Complaints**

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