

# **PUBLIC DISCLOSURE**

May 10, 2021

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Iowa State Bank  
RSSD# 845443

714 1<sup>st</sup> Street  
Keosauqua, Iowa 52565

Federal Reserve Bank of Chicago

230 South LaSalle Street  
Chicago, Illinois 60604-1413

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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## BANK'S CRA RATING

First Iowa State Bank is rated **Satisfactory**.

First Iowa State Bank provides loan products and services that are consistent with its size, location, and the economic conditions within its assessment area. Based on an analysis of lending activities, the bank is effectively meeting the credit needs of the community it serves. First Iowa State Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, economic environment, and credit needs of its assessment area. Additionally, a substantial majority of loans were originated in the assessment area. The lending performance demonstrates a reasonable distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different revenue sizes given the demographics of the bank's assessment area. Neither the bank nor this Reserve Bank received any CRA-related complaints since the previous evaluation.

## SCOPE OF EXAMINATION

First Iowa State Bank's performance was evaluated using the Federal Financial Institutions Examinations Council's (FFIEC) Small Institution CRA Examination Procedures. The full-scope evaluation considered the bank's asset size, business strategy, competition, and its assessment area's demographics, economic characteristics, and credit needs. Major products reviewed included home mortgage, small business, and small farm loans. First Iowa State Bank operates within one non-metropolitan assessment area in the southeast portion of Iowa, comprised of Davis and Van Buren counties in their entirety (Non-MSA Iowa).

Performance in the assessment area was evaluated using streamlined assessment method for small banks based on the following performance criteria:

- ***Loan-to-Deposit Ratio*** – A 17-quarter average loan-to-deposit ratio from December 31, 2016 to December 31, 2020 was calculated for the bank and compared to a sample of local competitors.
- ***Lending in the Assessment Area*** – The bank's home mortgage, small business, and small farm loans originated from January 1, 2020 to December 31, 2020 were reviewed to determine the percentage of loans originated in the assessment area.
- ***Geographic Distribution of Lending in the Assessment Area*** – The bank's home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2020 to December 31, 2020, were analyzed to determine the extent to which the bank is making loans in geographies of different income levels.

- ***Lending to Borrowers of Different Income and to Businesses and Farms of Different Sizes*** – The bank’s home mortgage, small business, and small farm loans originated in the assessment area, from January 1, 2020 to December 31, 2020, were reviewed to determine the distribution among borrowers of different income levels, particularly those considered low- or moderate-income, and to businesses and farms with different revenue sizes.
- ***Response to Substantiated Complaints*** – Complaints were reviewed to determine if any were related to the bank’s record of helping to meet community credit needs and its responses to any received were evaluated for appropriateness.

In addition, two community representatives were contacted in connection with this examination to provide information regarding local economic and housing conditions in the assessment area. The following types of organizations were contacted: affordable housing and economic development.

## DESCRIPTION OF INSTITUTION

First Iowa State Bank is a small community bank headquartered in Keosauqua, Iowa. The bank is a subsidiary of Van Buren Bancorporation Employee Stock Ownership Plan and Van Buren Bancorporation, which are also in Keosauqua, Iowa. Outside of the main office located in Keosauqua, Iowa, which has a full-service Automated Teller Machine (ATM), the bank currently operates one branch in Bloomfield, Iowa with a full-service ATM, and one branch in Cantril, Iowa. The bank also has three standalone cash-only ATMs located in Keosauqua, Bloomfield, and Birmingham, Iowa.

The bank offers traditional, non-complex products and services to meet the needs of consumers, businesses, and farms in its assessment area. Loan products include agricultural, commercial, consumer auto and personal, and residential real estate loans. Deposit products include checking accounts, savings accounts, money market deposit accounts, certificates of deposit, and individual retirement accounts.

According to the Uniform Bank Performance Report (UBPR), bank assets totaled approximately 149.0 million as of December 31, 2020. The bank’s loan portfolio is composed primarily of agricultural loans (42.7 percent) followed by commercial loans (30.3 percent), and residential real estate loans (22.9 percent). The table below provides a detailed distribution of the bank’s loan portfolio.

<b>Composition of Loan Portfolio as of December 31, 2020</b>		
<b>Loan Type</b>	<b>Dollar Volume (\$ are in 000s)</b>	<b>% of Portfolio</b>
Agricultural	41,886	42.7
Commercial	29,711	30.3
Residential Real Estate	22,502	22.9
Consumer	3,889	4.0
Other	206	0.2
<b>Total Loans</b>	<b>98,194</b>	<b>100.0</b>
<i>Note: Percentages may not total 100.00 percent due to rounding.</i>		

There are no known legal, financial, or other factors impeding the bank’s ability to help meet the credit needs in its communities.

The bank was rated Satisfactory under the CRA at its previous evaluation conducted on March 6, 2017.

#### **DESCRIPTION OF ASSESSMENT AREA**

First Iowa State Bank delineates one assessment area in non-metropolitan Iowa, consisting of the entirety of both Davis and Van Buren counties (Non-MSA Iowa). There have not been any changes to the bank’s assessment area since the previous evaluation. All four census tracts within the assessment area are designated as middle-income census tracts. The two middle-income census tracts that make up Van Buren County are designated as underserved due to their remote location. The assessment area contains the bank’s main office with a full-service ATM, two branch offices (one with a full-service ATM), and three standalone, cash-only ATMs. Since the previous evaluation, the bank has closed one branch office located in Birmingham, Iowa in May 2019.

According to the June 30, 2020 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, First Iowa State Bank ranked second out of five FDIC-insured institutions operating in the assessment area. The bank held approximately \$121.8 million in deposits, representing 29.9 percent of the total deposit market share in Davis and Van Buren counties. Success Bank ranked first with total deposits of approximately \$168.9 million at 41.4 percent of the market’s total deposits. The five FDIC-insured financial institutions operating in the assessment area maintain a total of 11 branch offices, three of which belong to First Iowa State Bank.

The following table displays the demographics of the assessment area by income categories, housing units, and total businesses and farms by tract for the year 2020.

Assessment Area: 2020 IA Non MSA									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	869	20.2	
Moderate-income	0	0.0	0	0.0	0	0.0	918	21.3	
Middle-income	4	100.0	4,310	100.0	492	11.4	1,042	24.2	
Upper-income	0	0.0	0	0.0	0	0.0	1,481	34.4	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>4</b>	<b>100.0</b>	<b>4,310</b>	<b>100.0</b>	<b>492</b>	<b>11.4</b>	<b>4,310</b>	<b>100.0</b>	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied		Rental		Vacant			
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-income	7,222	5,031	100.0	69.7	1,078	14.9	1,113	15.4	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>7,222</b>	<b>5,031</b>	<b>100.0</b>	<b>69.7</b>	<b>1,078</b>	<b>14.9</b>	<b>1,113</b>	<b>15.4</b>	
	Total Businesses by Tract		Businesses by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	972	100.0	891	100.0	56	100.0	25	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>972</b>	<b>100.0</b>	<b>891</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	
	Percentage of Total Businesses:			91.7		5.8		2.6	
	Total Farms by Tract		Farms by Tract & Revenue Size						
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#	%
Low-income	0	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	255	100.0	253	100.0	0	0.0	2	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>255</b>	<b>100.0</b>	<b>253</b>	<b>100.0</b>	<b>0</b>	<b>0.0</b>	<b>2</b>	<b>100.0</b>	
	Percentage of Total Farms:			99.2		0.0		0.8	
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS									
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>									

## Population Change

Populations within Davis and Van Buren counties have remained stable since the 2010 Census Bureau Decennial Census, experiencing only minor decreases at 0.1 percent and 1.8 percent, respectively. During the same period, the state of Iowa remained stable as well, experiencing a slight increase at 1.5 percent. A community representative attributed stable population to the positive local economic conditions, which have remained relatively favorable for workers and local businesses. The strength of area’s educational system has also attracted and retained residents, one representative noted.

Population Change			
Area	2010 Population	2011-2015 Population	Percentage Change
Davis County	8,753	8,742	-0.1
Van Buren County	7,570	7,432	-1.8
State of Iowa	3,046,355	3,093,526	1.5

*Source: 2010—U.S. Census Bureau: Decennial Census  
2011-2015—U.S. Census Bureau: Annual Population Estimates*

## Income Characteristics

The table below presents the median family income (MFI) for families living in the assessment area (i.e. Davis and Van Buren counties) and the state of Iowa. The MFI in Davis County was \$59,088, representing a noticeable 11.8 percent increase from the 2006-2010 U.S. Census ACS data. Similarly, the MFI in Van Buren County, at \$58,011 during the 2011-2015 period, increased 15.9 percent since 2010. The state of Iowa’s MFI remained higher than Davis and Van Buren counties at \$67,466 in 2015 but experienced a lower growth rate from 2006-2010 to 2011-2015 at 9.2 percent. A community representative stated that due to a shortage of labor in the area, competition for workers has put pressure on employers to increase wages. The representative observed that sectors such as retail, which traditionally offer lower wages in the area, have seen wage increases in recent years.

Regarding families by family income in the assessment area, approximately 20.2 percent are low-income, 21.3 percent are moderate- income, 24.2 percent are middle-income, and the remaining 34.4 percent are upper-income families. Of the 492 families in the assessment area, 11.4 percent are designated as living below the poverty line.

Median Family Income Change			
Area	2006-2010 Median Family Income	2011-2015 Median Family Income	Percentage Change
Davis County	52,855	59,088	11.8
Van Buren County	50,064	58,011	15.9
State of Iowa	61,804	67,466	9.2
<i>Source: 2010—U.S. Census Bureau: Decennial Census 2011-2015—U.S. Census Bureau: American Community Survey</i>			

## Housing Characteristics

The table below presents trends in housing costs and affordability in the counties comprising the assessment area and the state of Iowa. For context, there are 7,222 housing units within the assessment area based on 2015 U.S. Census Bureau ACS data. Of those housing units, 69.7 percent are owner-occupied, 14.9 percent are rental units, and 15.4 percent are vacant units.

Specific to housing costs, median housing values in Davis and Van Buren counties have remained below the state of Iowa (\$129,200) at \$99,900 and \$76,300, respectively. While the median housing value in Van Buren County experienced a notable increase of 12.9 percent, the county continued to maintain the lowest median housing value compared to Davis County and the state of Iowa. Davis County experienced a slight decrease in its median housing value at 1.5 percent during the same time period. A community representative observed that there is a lack of new housing development in the area. In addition, the representative noted that the current housing stock is generally outdated and not always in the most desirable condition, particularly in Davis County. Community representatives also noted that there is a shortage of middle-market, mid-size housing to meet the workforce demand, and developers often look to build in larger metropolitan areas for higher profits. Construction material prices have also increased, creating a barrier to development in the area.

Median gross rents within Davis and Van Buren counties remained lower than the state of Iowa, which experienced a 13.0 percent increase. Davis County had a significant increase in median gross rent at 20.5 percent during the same period, while Van Buren County's median gross rent decreased slightly by 1.2 percent and remained lower than Davis County and the state of Iowa. A community representative noted that rental units are generally in full capacity and rented for long terms, putting pressure on developers to create more rental units to meet the demand. The area has witnessed some building rehabilitations to create more rental units, but these efforts have had minimal impact to meet the rising demand as noted by a community representative.

A common method of comparing relative affordability of housing across geographic areas is the affordability ratio, which is defined in Appendix C. Generally, an area with a higher ratio has more affordable housing opportunities than an area with a lower ratio. Davis and Van Buren counties have a higher rate of affordable housing when compared to the state of Iowa, particularly Van Buren County. However, the shortage of middle-market housing and rental units in the



assessment area has become a significant barrier for residents and workers interested in coming to the area, as noted by community representatives.

Housing Costs Change								
Location	2006-2010 Median Housing Value	2011-2015 Median Housing Value	Percent Change	2006-2010 Median Gross Rent	2011-2015 Median Gross Rent	Percent Change	2006-2010 Affordability Ratio	2011-2015 Affordability Ratio
Davis County	101,400	99,900	-1.5	483	582	20.5	0.46	0.49
Van Buren County	67,600	76,300	12.9	482	476	-1.2	0.59	0.59
State of Iowa	119,200	129,200	8.4	617	697	13.0	0.41	0.41

*Source: 2010—U.S. Census Bureau: Decennial Census  
2011-2015—U.S. Census Bureau: American Community Survey*

### Employment Conditions

The following table presents the unemployment rates in the counties comprising the assessment area and the state of Iowa. Based on the Bureau of Labor Statistics, unemployment rates have decreased in all areas reviewed from 2016 to 2019 and are similarly aligned. More specifically, both Van Buren County and the state of Iowa had unemployment rates of 3.7 percent in 2016, which decreased to 2.7 percent in 2019. Davis County has experienced a slightly higher unemployment rate over the years, but the rate remains relatively low at 2.9 percent as of 2019. A community representative noted that unemployment trends in the assessment area have remained steady, even during the COVID-19 pandemic. The representative also stated that the low unemployment rate has put additional pressure on the housing market, as workers with greater spending power seek middle-market and higher-end housing. Another representative observed that the labor shortage has caused many local businesses to actively advertise for open positions which have been hard to fill.

Recent Unemployment Rates				
Region	2016	2017	2018	2019
Davis County	4.3	3.3	2.7	2.9
Van Buren County	3.7	3.0	2.7	2.7
States of Iowa	3.7	3.1	2.5	2.7

*Source: Bureau of Labor Statistics: Local Area Unemployment Statistics (LAUS)*

## Industry Conditions

The following table presents the largest employers operating in the assessment area. The majority of employers in the assessment area are in manufacturing, wholesaling, and hospital industries. As noted by a community representative, manufacturing and agriculture sectors have been stable over the years and have not been negatively impacted by the COVID-19 pandemic. The contact noted that most local shops and businesses were able to remain open during the pandemic, and prior to no significant closures or layoffs have occurred.

Largest Employers in the Assessment Area		
Company	Number of Employees	Industry
Barker Specialty Pro	400	Refrigerating Equip-Commercial (Whls)
Van Buren County Hospital	146	Hospitals
Davis County Hospital	134	Hospitals
Performance Pipe Div-Chevron	130	Plastics-Products-Finished-Manufacturers
Riverside Plastics Inc	100	Molds (Mfrs)
Bloomfield Care Center	80	Long Term Care Facility
Barker Wire	79	Fabricated Wire Products-Misc (Mfrs)
Davis County Middle School	69	Schools
Troy Elevator Inc	52	Feed-Dealers (Whls)

*Source: Business information provided by Infogroup®, Omaha, NE*

## Community Representatives

Two community representatives with knowledge of economic development and affordable housing within Davis and Van Buren counties were contacted during this evaluation to gain a greater understanding of credit needs within the assessment area. The representatives stated that although population in the area has seen minor shifts, it has generally remained stable and is expected to remain stable. Representatives mainly attributed rising MFIs to increased competition for workers which has put pressure on employers to increase wages. In terms of housing, representatives stated that there is a strong demand for housing, particularly middle-market housing in the area. Additionally, rental units are not being constructed to meet the rising demand.

Despite concerns noted around housing development in the area, community representatives noted that the local economy has held strong relative to other rural areas, even throughout the COVID-19 pandemic. Agriculture, manufacturing, and smaller local businesses have survived, and in some cases these sectors have grown. Overall, representatives believed that while local financial institutions are responsive to area credit needs, they could be better engaged with the community regarding participation in local events and organizations, as well as provide resources to help with the housing stock concern.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

*Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit (LTD) ratio, the percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different income levels and businesses of different sizes, the geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, the preceding standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, comparative analyses of the assessment area and the state and the non-metropolitan portions of the state demographic data on median income, nature of housing stock, housing costs, and other relevant data pertaining to the bank's assessment area.*

### LENDING TEST

First Iowa State Bank's performance relative to the lending test is rated Satisfactory based on several major factors. The bank's loan-to-deposit ratio (LTD) is reasonable given the bank's size, financial condition, and the credit needs of its assessment area. A substantial majority of the bank's loans were originated within its assessment area. Lending demonstrated a reasonable distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different sizes given the demographics of the bank's assessment area. Given the bank's assessment area is comprised entirely of middle-income census tracts, a meaningful geographic distribution analysis could not be performed. However, no conspicuous or unexplained gaps were identified, and the geographic distribution of lending was deemed to reflect a reasonable dispersion throughout the assessment area.

### Loan-to-Deposit Ratio

First Iowa State Bank's LTD ratio is reasonable given the bank's size, financial condition, and credit needs of its assessment area. As of December 31, 2020, the bank's average LTD ratio for the 17-quarter period beginning December 31, 2016 was 83.9 percent. This represents an 11.2 percent increase from the previous evaluation, where the bank's 16-quarter average LTD ratio was 72.7 percent. Although competition in the assessment area is limited, the bank's LTD ratio exceeds one competitor, is comparable to another competitor, and ranks below only one competitor. The increase in the bank's LTD since the previous examination, as well as its ranking among area competitors, demonstrates the bank's willingness to lend to borrowers in the assessment area. The following table compares the bank's LTD ratio to its local competitors.

Comparative Loan-to-Deposit Ratios	
Institution	Loan-to-Deposit Ratio (%)
	17-Quarter Average
First Iowa State Bank	83.9
<b>Competitors</b>	
Success Bank	96.9
State Central Bank	55.3
Libertyville Savings Bank	79.4

### Assessment Area Concentration

First Iowa State Bank originated a substantial majority of loans inside the assessment area. During the evaluation period, the bank originated 84.8 percent of residential real estate loans, 91.1 percent of small business loans, and 85.3 percent of small farm loans, by number, within the assessment area. In total, 87.6 percent of total loans, by number, were originated within the assessment area, indicating that the bank is actively serving the credit needs of its community. Further, lending by dollar volume reflected similar concentration within the assessment area across all loan types. The concentration of lending within the assessment area is slightly less than it was at the previous evaluation, where 89.0 percent of total loans, by number, were originated within the assessment area. The following table summarizes the bank’s lending inside and outside of its assessment area by loan type.

Loan Types	Inside				Outside			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Residential Loans	39	84.8	\$5,149	86.2	7	15.2	\$825	13.8
<b>Total Non-HMDA</b>	<b>39</b>	<b>84.8</b>	<b>\$5,149</b>	<b>86.2</b>	<b>7</b>	<b>15.2</b>	<b>\$825</b>	<b>13.8</b>
Small Business	102	91.1	\$6,885	85.2	10	8.9	\$1,194	14.8
<b>Total Small Bus. related</b>	<b>102</b>	<b>91.1</b>	<b>\$6,885</b>	<b>85.2</b>	<b>10</b>	<b>8.9</b>	<b>\$1,194</b>	<b>14.8</b>
Small Farm	93	85.3	\$5,070	89.8	16	14.7	\$573	10.2
<b>Total Small Farm related</b>	<b>93</b>	<b>85.3</b>	<b>\$5,070</b>	<b>89.8</b>	<b>16</b>	<b>14.7</b>	<b>\$573</b>	<b>10.2</b>
<b>TOTAL LOANS</b>	<b>234</b>	<b>87.6</b>	<b>\$17,104</b>	<b>86.8</b>	<b>33</b>	<b>12.4</b>	<b>\$2,592</b>	<b>13.2</b>

### Geographic Distribution of Loans

The assessment area is comprised only of middle-income census tracts and therefore a meaningful analysis could not be performed. The dispersion of the loans in the assessment area was reviewed to determine if the bank is sufficiently serving the census tracts included in the assessment area. Examiners determined that there were no conspicuous unexplained gaps in contiguous census tracts. As a result, the bank’s geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

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

Lending performance demonstrates a reasonable distribution of loans to individuals of different income levels (including low- and moderate-income individuals) and businesses and farms of different revenue sizes given the demographics of the bank’s assessment area. Overall, the bank is responsive to the credit needs of low- and moderate-income borrowers, small businesses, and small farms within its assessment area.

### Home Mortgage

The distribution of home mortgage loans among borrowers of different income levels is reasonable. Within our sample, the bank originated 17.9 percent of home mortgage loans to borrowers designated as low-income, performing below the percentage of low-income families comprising the assessment area at 20.2 percent. With respect to moderate-income borrowers, the bank originated 23.1 percent of home mortgage loans to these borrowers, which exceeded the percentage of moderate-income families in the assessment area at 21.3 percent. The bank originated 25.6 percent of home mortgage loans to middle-income borrowers, performing slightly above the percentage of middle-income families in the assessment area at 24.2 percent. Lastly, 33.3 percent of home mortgage loans were made to upper-income borrowers, which is aligned with the percentage of upper-income families in the assessment area at 34.4 percent.

The following table highlights the bank’s distribution of home mortgage lending by borrower income level from January 1, 2020, through December 31, 2020.

<b>Borrower Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: 2020 IA Non MSA</b>						
	<b>Borrower Income Levels</b>	<b>Bank &amp; Demographic Comparison</b>				<b>Families by Family Income</b>
		<b>2020</b>				
		<b>Count</b>		<b>Dollar</b>		
		<b>#</b>	<b>%</b>	<b>\$ (000s)</b>	<b>\$ %</b>	<b>%</b>
<b>Totals</b>	Low	7	17.9	326	6.3	20.2
	Moderate	9	23.1	515	10.0	21.3
	Middle	10	25.6	1,118	21.7	24.2
	Upper	13	33.3	3,190	62.0	34.4
	Unknown	0	0.0	0	0.0	0.0
	<b>Total</b>		<b>39</b>	<b>100.0</b>	<b>5,149</b>	<b>100.0</b>
2020 FFIEC Census Data						
<i>Note: Percentages may not add to 100.0 percent due to rounding</i>						

### Small Business

The distribution of small business loans among businesses of different revenue sizes is reasonable. Within our sample, the bank originated 48.0 percent, by number, of small business

loans to businesses with gross revenue of \$1 million or less, performing below the percentage of these businesses comprising the assessment area at 91.7 percent. Of those loans, 89.8 percent were in amounts of \$100,000 or less, which are deemed most beneficial to small businesses. Loans made to businesses with gross revenue over \$1 million comprised 18.6 percent of small business loans, which exceeded the percentage of these businesses in the assessment area at 5.8 percent. Lastly, 34 small business loans, or 33.3 percent, originated within the sample were made to businesses where the annual revenue was unknown. For context, only 2.6 percent of total businesses in the assessment area have unknown revenue information. The significant lending to businesses with unknown revenue is largely due to the bank’s participation in the Paycheck Protection Program (PPP) resulting from the COVID-19 pandemic, where revenue information was not required to be collected by financial institutions.

The bank’s small business lending activity demonstrates its commitment to support small businesses within the assessment area. This is further supported by the bank’s participation in PPP lending, and the significant number (87.3 percent) of small dollar loans made (i.e. \$100,000 or less), which are deemed most beneficial to local and small businesses. Further, PPP loans are incredibly beneficial to the community’s economic recovery from the pandemic as they are exclusively for payroll or income replacement for small business employees. The following table details the bank’s distribution of small business loans by revenue and loan size from January 1, 2020, through December 31, 2020.

<b>Small Business Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2020 IA Non MSA</b>							
Product Type		Bank & Demographic Comparison					
		2020		2020		Total Businesses %	
#	%	\$ 000s	\$ %	Count			
				Bank	Bank		
Small Business	Revenue	\$1 Million or Less	49	48.0	2,209	32.1	91.7
		Over \$1 Million	19	18.6	3,272	47.5	5.8
		Unknown	34	33.3	1,404	20.4	2.6
		<b>Total</b>	<b>102</b>	<b>100.0</b>	<b>6,885</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	89	87.3	2,262	32.9	
		\$100,001 - \$250,000	4	3.9	606	8.8	
		\$250,001 - \$1 Million	9	8.8	4,017	58.3	
		<b>Total</b>	<b>102</b>	<b>100.0</b>	<b>6,885</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	44	89.8	936	42.4	
		\$100,001 - \$250,000	2	4.1	347	15.7	
\$250,001 - \$1 Million		3	6.1	926	41.9		
<b>Total</b>		<b>49</b>	<b>100.0</b>	<b>2,209</b>	<b>100.0</b>		

Originations & Purchases  
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

*Small Farm*

The distribution of small farms loans among farms of different revenue sizes is reasonable. Within our sample, the bank originated 75.3 percent, by number, of small farms loans to farms with gross revenue of \$1 million or less, performing below the percentage of these farms comprising the assessment area at 99.2 percent. Of those loans, 85.7 percent were in amounts of \$100,000 or less, which are deemed most beneficial to small farms. Loans made to farms with gross revenue over \$1 million comprised 4.3 percent of small farm loans. Lastly, 19 small farm loans, or 20.4 percent, originated within the sample were made to farms where the annual revenue was unknown. For context, only 0.8 percent of total farms in the assessment area have unknown revenue information. The significant lending to farms with unknown revenue is largely due to the bank’s participation in the Paycheck Protection Program (PPP) resulting from the COVID-19 pandemic, where revenue information was not required to be collected by financial institutions.

The bank’s small farm lending activity demonstrates its commitment to supporting small farms within the assessment area. This is further supported by the bank’s participation in PPP lending, and the significant number (86.0 percent) of small dollar loans made (i.e. \$100,000 or less), which are deemed most beneficial to local and small farms. Further, PPP loans are incredibly beneficial to the community as they are exclusively for payroll or income replacement. The following table details the bank’s distribution of small farm loans by revenue and loan size from January 1, 2020, through December 31, 2020.

<b>Small Farm Lending By Revenue &amp; Loan Size</b>							
<b>Assessment Area: 2020 IA Non MSA</b>							
Product Type		Bank & Demographic Comparison					
		2020		2020		Total Farms	
Revenue	Loan Size	Count	Dollar				%
		Bank	Bank	\$ 000s	\$ %		
#	%	#	%				
Small Farm	Revenue	\$1 Million or Less	70	75.3	3,882	76.6	99.2
		Over \$1 Million	4	4.3	889	17.5	0.0
		Unknown	19	20.4	299	5.9	0.8
		<b>Total</b>	<b>93</b>	<b>100.0</b>	<b>5,070</b>	<b>100.0</b>	<b>100.0</b>
	Loan Size	\$100,000 or Less	80	86.0	2,191	43.2	
		\$100,001 - \$250,000	10	10.8	1,729	34.1	
		\$250,001 - \$500,000	3	3.2	1,150	22.7	
		<b>Total</b>	<b>93</b>	<b>100.0</b>	<b>5,070</b>	<b>100.0</b>	
	Loan Size & Rev \$1 Mill or Less	\$100,000 or Less	60	85.7	1,878	48.4	
		\$100,001 - \$250,000	9	12.9	1,604	41.3	
\$250,001 - \$500,000		1	1.4	400	10.3		
<b>Total</b>		<b>70</b>	<b>100.0</b>	<b>3,882</b>	<b>100.0</b>		

Originations & Purchases  
2020 FFIEC Census Data & 2020 Dun & Bradstreet information according to 2015 ACS  
*Note: Percentages may not add to 100.0 percent due to rounding*

### **Response to Complaints**

The bank or this Reserve Bank has not received any CRA-related complaints since the previous examination.

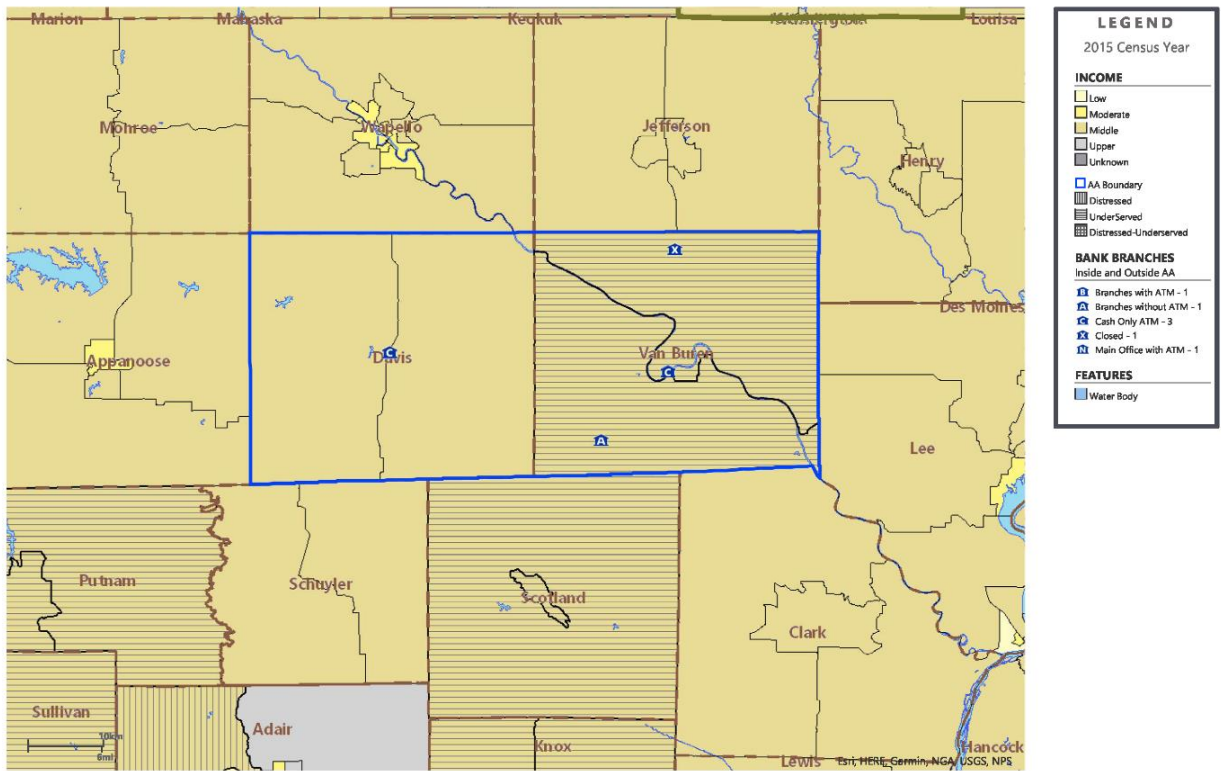
### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.



### APPENDIX A – Map of Assessment Area

**First Iowa State Bank 845443**  
IA Non MSA



**APPENDIX B – Scope of Examination**

SCOPE OF EXAMINATION			
<b>TIME PERIOD REVIEWED</b>	Loan-to-Deposit Ratio: 17-quarter average (12/31/2016 to 12/31/2020)  Assessment Area Concentration, Geographic Distribution, and Borrower Distribution: 1/1/2020 to 12/31/2020		
<b>FINANCIAL INSTITUTION</b>  First Iowa State Bank			<b>PRODUCTS REVIEWED</b>  Home Mortgage Small Business Small Farm
<b>AFFILIATE(S)</b>	<b>AFFILIATE RELATIONSHIP</b>		<b>PRODUCTS REVIEWED</b>
None	None		None
LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Iowa  Non-MSA Iowa (Davis and Van Buren Counties)	Full Scope Review	None	None

## APPENDIX C – Glossary

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Affordability ratio:** To determine housing affordability, the affordability ratio is calculated by dividing median household income by median housing value. This ratio allows the comparison of housing affordability across assessment areas and/or communities. An area with a high ratio generally has more affordable housing than an area with a low ratio.

**Aggregate lending:** The number of loans originated and purchased by all lenders subject to reporting requirements as a percentage of the aggregate number of loans originated and purchased by all lenders in the MSA/assessment area.

**American Community Survey Data (ACS):** The American Community Survey (ACS) data is based on a nationwide survey designed to provide local communities with reliable and timely demographic, social, economic, and housing data each year. The Census Bureau first released data for geographies of all sizes in 2010. This data is known as the “five-year estimate data.” The five-year estimate data is used by the FFIEC as the base file for data used in conjunction with consumer compliance and CRA examinations.<sup>1</sup>

**Area Median Income (AMI):** AMI means –

1. The median family income for the MSA, if a person or geography is located in an MSA, or for the metropolitan division, if a person or geography is located in an MSA that has been subdivided into metropolitan divisions; or
2. The statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment area:** Assessment area means a geographic area delineated in accordance with section 228.41

**Automated teller machine (ATM):** An automated teller machine means an automated, unstaffed banking facility owned or operated by, or operated exclusively for, the bank at which deposits are received, cash dispersed or money lent.

**Bank:** Bank means a state member as that term is defined in section 3(d)(2) of the Federal Deposit Insurance Act (12 USC 1813(d)(2)), except as provided in section 228.11(c)(3), and includes an

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<sup>1</sup> Source: FFIEC press release dated October 19, 2011.

uninsured state branch (other than a limited branch) of a foreign bank described in section 228.11(c)(2).

**Branch:** Branch refers to a staffed banking facility approved as a branch, whether shared or unshared, including, for example, a mini-branch in a grocery store or a branch operated in conjunction with any other local business or nonprofit organization.

**Census tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSAs):** Adjacent metropolitan statistical areas/metropolitan divisions (MSA/MDs) and micropolitan statistical areas may be combined into larger Combined Statistical Areas based on social and economic ties as well as commuting patterns. The ties used as the basis for CSAs are not as strong as the ties used to support MSA/MD and micropolitan statistical area designations; however, they do bind the larger area together and may be particularly useful for regional planning authorities and the private sector. Under Regulation BB, assessment areas may be presented under a Combined Statistical Area heading; however, all analysis is conducted on the basis of median income figures for MSA/MDs and the applicable state-wide non metropolitan median income figure.

**Community Development:** The financial supervisory agencies have adopted the following definition for community development:

1. Affordable housing, including for multi-family housing, for low- and moderate-income households;
2. Community services tailored to meet the needs of low- and moderate-income individuals;
3. Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or
4. Activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definitions of community development. Activities that revitalize or stabilize:

- 1) Low- or moderate-income geographies;
- 2) Designated disaster areas; or
- 3) Distressed or underserved nonmetropolitan middle-income geographies

designated by the Board, Federal Deposit Insurance Corporation and Office of the Comptroller of the Currency based on:

- a. Rates of poverty, unemployment or population loss; or
- b. Population size, density and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density and dispersion if they help to meet essential community services including the needs of low- and moderate-income individuals.

**Community Development Loan:** A community development loan means a loan that:

- 1) Has as its primary purpose community development; and
- 2) Except in the case of a wholesale or limited purpose bank –
  - a. Has not been reported or collected by the bank or an affiliate for consideration in the bank’s assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family housing loan (as described in the regulation implementing the Home Mortgage Disclosure Act); and
  - b. Benefits the bank’s assessment area(s) or a broader statewide or regional area that includes the bank’s assessment area(s).

**Community Development Service:** A community development service means a service that:

- 1) Has as its primary purpose community development; and
- 2) Is related to the provision of financial services.

**Consumer loan:** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories of loans: motor vehicle, credit card, other consumer secured loan, including a home improvement loan not secured by a dwelling, and other consumer unsecured loan, including a loan for home improvement not secured.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married couple family or other family, which is further classified into “male householder” (a family with a male household and no wife present) or “female householder” (a family with a female householder and no husband present).

**Fair market rent:** Fair market rents (FMRs) are gross rent estimates. They include the shelter rent plus the cost of all tenant-paid utilities, except telephones, cable or satellite television service, and internet service. HUD sets FMRs to assure that a sufficient supply of rental housing is available to their program participants. To accomplish this objective, FMRs must be both high enough to

permit a selection of units and neighborhoods and low enough to serve as many low-income families as possible. The level at which FMRs are set is expressed as a percentile point within the rent distribution of standard-quality rental housing units. The current definition used is the 40th percentile rent, the dollar amount below which 40 percent of the standard-quality rental housing units are rented. The 40th percentile rent is drawn from the distribution of rents of all units occupied by recent movers (renter households who moved to their present residence within the past 15 months). HUD is required to ensure that FMRs exclude non-market rental housing in their computation. Therefore, HUD excludes all units falling below a specified rent level determined from public housing rents in HUD's program databases as likely to be either assisted housing or otherwise at a below-market rent, and units less than two years old.

**Full review:** Performance under the Lending, Investment and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and amount of qualified investments) and qualitative factors (for example, innovativeness, complexity and responsiveness).

**Geography:** A census tract delineated by the U.S. Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act:** The statute that requires certain mortgage lenders that do business or have banking offices in metropolitan statistical areas to file annual summary reports of their mortgage lending activity. The reports include data such as the race, gender and income of the applicant(s) and the disposition of the application(s) (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Are defined in conformance with the definitions of home mortgage activity under the Home Mortgage Disclosure Act and include closed end mortgage loans secured by a dwelling and open-end lines of credit secured by a dwelling. This includes loans for home purchase, refinancing and loans for multi-family housing. It does not include loans for home improvement purposes that are not secured by a dwelling.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Income Level:** Income level means:

- 1) Low-income – an individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a census tract;
- 2) Moderate-income – an individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent in the case of a census tract;

- 3) Middle-income – an individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent in the case of a census tract; and
- 4) Upper-income – an individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent in the case of a census tract.

*Additional Guidance: .12(m) Income Level: The median family income levels (MFI) for census tracts are calculated using the income data from the United States Census Bureau's American Community Survey and geographic definitions from the Office of Management and Budget (OMB) and are updated approximately every five years (.12(m) Income Level).*

**Limited-purpose bank:** This term refers to a bank that offers only a narrow product line such as credit card or motor vehicle loans to a regional or broader market and for which a designation as a limited-purpose bank is in effect, in accordance with section 228.25(b).

**Limited review:** Performance under the Lending, Investment and Services test is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, amount of investments and branch office distribution).

**Loan location:** Under this definition, a loan is located as follows:

- 1) Consumer loan is located in the census tract where the borrower resides;
- 2) Home mortgage loan is located in the census tract where the property to which the loan relates is located;
- 3) Small business and small farm loan is located in the census tract where the main business facility or farm is located or where the loan proceeds have been applied as indicated by the borrower.

**Loan product office:** This term refers to a staffed facility, other than a branch, that is open to the public and that provides lending-related services, such as loan information and applications.

**Market share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development (HUD) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

**Metropolitan Area:** A metropolitan statistical area (MSA) or a metropolitan division (MD) as

defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a single core population of at least 2.5 million may be divided into MDs. A metropolitan statistical area that crosses into two or more bordering states is called a multistate metropolitan statistical area.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan area:** This term refers to any area that is not located in a metropolitan statistical area or metropolitan division. Micropolitan statistical areas are included in the definition of a nonmetropolitan area; a micropolitan statistical area has an urban core population of at least 10,000 but less than 50,000.

**Owner-occupied units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** This term refers to any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** This term refers to a state or multistate metropolitan area. For institutions with domestic branch offices in one state only, the institution's CRA rating is the state's rating. If the institution maintains domestic branch offices in more than one state, the institution will receive a rating for each state in which those branch offices are located. If the institution maintains domestic branch offices in at least two states in a multistate metropolitan statistical area, the institution will receive a rating for the multistate metropolitan area.

**Small Bank:** This term refers to a bank that as of December 31 of either of the prior two calendar years, had assets of less than \$1.252 billion. Intermediate small bank means a small bank with assets of at least \$313 million as of December 31 of both of the prior two calendar years and less than \$1.252 billion as of December 31 of either of the prior two calendar years.

*Annual Adjustment: The dollar figures in paragraph (u)(1) of this section shall be adjusted annually and published by the Board, based on the year-to-year change in the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers, not seasonally adjusted, for each 12-month period ending in November, with rounding to the nearest million.*

**Small Business Loan:** This term refers to a loan that is included in "loans to small businesses" as defined in the instructions for preparation of the Consolidated Report of Condition and Income. The loans have original amounts of \$1 million or less and are either secured nonfarm, nonresidential properties or are classified as commercial and industrial loans.



**Small Farm:** This term refers to a loan that is included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income. These loans have original amounts of \$500 thousand or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Wholesale Bank:** This term refers to a bank that is not in the business of extending home mortgage, small business, small farm or consumer loans to retail customers, and for which a designation as a wholesale bank is in effect, in accordance with section 228.25(b).