



PUBLIC DISCLOSURE

August 9, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**PINNACLE BANK
RSSD# 116956**

**324 MAIN STREET
NELIGH, NEBRASKA 68756**

**Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198**

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.

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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 Community Reinvestment Act (CRA) performance of Pinnacle Bank, Neligh, Nebraska, prepared by the Federal Reserve Bank of Kansas City (Reserve Bank), the institution's supervisory agency, as of August 9, 1999. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION

INSTITUTION'S CRA RATING: *This institution is rated "**Satisfactory**"*

An institution in this group has a satisfactory record of helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The bank has satisfactorily met the requirements of the act. Its lending and service test results were strong, and its investment test results were adequate based on the level of community development activity taking place in the assessment area. The primary conclusions of this evaluation are:

- The geographic distribution of bank loans was reasonable and reflective of the distribution of assessment area households, businesses and farms. Bank's small farm loans, in particular, showed responsiveness to credit needs in moderate-income areas.
- Bank staff has worked to develop individualized and at times innovative credit packages and perform counseling services that help consumers, farmers, and business owners obtain credit.
- The bank's approach to community investments and grants has been passive rather than proactive. It has responded to area investment needs through bond purchases and monetary contributions, but there appear to be limited opportunities for investments and grants in ongoing community development efforts.

The following table shows the bank's performance levels with respect to the lending, investment, and service tests.

PINNACLE BANK – NELIGH, NEBRASKA			
Performance Levels	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
<i>Outstanding</i>			
<i>High Satisfactory</i>	X		X
<i>Low Satisfactory</i>		X	
<i>Needs to Improve</i>			
<i>Substantial Noncompliance</i>			

DESCRIPTION OF INSTITUTION

Pinnacle Bank in Neligh, Nebraska (the bank) is a rural bank in the north central part of the state. Its total asset size on June 30, 1999 was \$118,359,000. However, its affiliation with Pinnacle Bancorp, Inc. results in it falling under the CRA large bank examination provisions. Pinnacle Bancorp owns the bank, and it has twenty banking affiliates and six holding company affiliates in Colorado, Kansas, Nebraska, and Wyoming.

All of the bank's offices are in rural Nebraska. Its main office is in Neligh, with branches in O'Neill, Page and Verdigre. In addition, the bank has five off-site automated teller machines (ATMs), two of which are in bank drive-up facilities in Neligh and O'Neill, and three are in Neligh and O'Neill convenience stores and a gas station. The bank has not acquired branches since the last examination but it did close its Oakdale branch in April 1999.

The Federal Reserve Bank of Kansas City last assessed the bank's CRA performance on February 24, 1997. That assessment resulted in a "satisfactory" CRA rating. Farm, commercial, residential, and consumer loans were reviewed at the last examination.

Agricultural loans are the bank's primary lending focus and the focus of this CRA evaluation. Table 1 shows that, although the bank originated a variety of loans since the prior examination, the largest number and dollar volume of bank lending was for farm-related loans.

TABLE 1				
PINNACLE BANK – NELIGH, NEBRASKA				
LOANS ORIGINATED FROM 2-24-1997 to 5-25-1999				
(Source: Bank Trial Balance)				
LOAN TYPE	Number Volume		Dollar Volume	
	#	% of Tot.	\$(000)	% of Tot.
Construction/Land Development	4	0.12	855	0.81
Secured by 1- to 4 Family Res. Property	177	5.43	6,589	6.21
Secured by Multifamily (5+) Dwellings	1	0.03	31	0.03
Secured by Farmland	65	2.03	7,687	7.24
Secured by Business Property	40	1.25	4,038	3.81
Agricultural	1,340	41.80	62,078	58.50
Commercial/Industrial	386	12.04	16,252	15.32
Consumer Installment	679	21.18	3,975	3.75
Automobile	510	15.90	4,572	4.31
Other	4	0.12	35	0.03
TOTALS	3,206	100.0	106,111	100.0
* Shaded cells indicate the products reviewed for this analysis.				

No legal impediments or factors related to the bank's asset size or financial condition affect its ability to meet assessment area credit needs.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area continues to be all of Antelope and Holt Counties and block numbering area (BNA) 9762.00 in Knox County. The assessment area is a rural area in northeast Nebraska, and its northern border abuts the South Dakota state line.

Of the eight BNAs in the bank's assessment area, three are moderate-income BNAs and five

are middle-income BNAs.¹ There are no low- or upper-income BNAs in the assessment area.

There is substantial financial institution competition in the assessment area. Nine other banking institutions have main offices in the assessment area. In addition, area banks face credit competition from an office of the Farm Services Administration (FSA).

Information from a variety of sources was used to develop a performance context within which to evaluate the bank. A local government official, a community development leader and businessman, and a regional economic development organization were interviewed to discuss area credit needs and economic, population and housing trends. Summaries of the community contacts made by the Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC) since the past examination were reviewed as well as the CRA public evaluations generated by those agencies. FDIC and OCC contacts included five private individuals and business owners, five local and federal government officials, and an economic development organization. Finally, statistical information was obtained from the following sources:

- U. S. Bureau of the Census (Census Bureau)
- Bureau of Economic Analysis (BEA)
- Dun & Bradstreet (D&B)
- Regional Economic Information Systems (REIS)
- Northeast Nebraska Economic Development District (NENEDD)
- Nebraska Department of Labor (NDL)

Community contacts stated that agricultural loans continue to be the area's primary credit need but that there is also a need for housing loans and a growing need for business loans. This was confirmed by the statistical data.

The assessment area relies heavily on agricultural industries for employment and personal earnings. In 1992 its primary crops were corn, oats, and soybeans and there was a large concentration of cattle and hog producers. Despite decreasing farm earnings and employment in all three assessment area counties since 1990, in 1997 farm industries provided 27.1 percent of assessment area personal income and 24.1 percent of jobs. (Source: BEA, REIS)

Declining per capita personal income (PCPI) levels, a decreasing population, and a decreasing labor force in some parts of the assessment area reflect adversely on the assessment area economy. Community contacts confirmed that the area has undergone a period of sustained economic hardship more recently resulting from low crop prices and a lack of economic diversification.

¹ By definition, a low-income BNA had a median family income that was less than 50 percent of the median family income of rural areas statewide based on 1990 census data. The other income categories are defined as follows: moderate-income, 50-79 percent of the statewide rural median family income; middle-income, 80-119 percent of the statewide rural median family income, and; upper-income, equal to or greater than 120 percent of the statewide rural median family income. These same categories are applied in determining a county's median family level.

Antelope County's labor force decreased by 11.4 percent (382 workers) from 1990 to May 1999, and nearly every assessment area town and city lost population from 1990 to 1998. (Table 2).

TABLE 2 ASSESSMENT AREA POPULATION CHANGES <i>From 4-1-90 to 7-1-98</i> <i>(Source: U.S. Dept. of Census)</i>		
Cities/Towns:	Population Change 1990-1998	
	#	%
City of Atkinson	(104)	(7.5)
Brunswick Village	(19)	(10.4)
Chambers Village	(15)	(4.4)
Clearwater Village	(42)	(10.5)
City of Creighton	(97)	(7.9)
City of Elgin	(82)	(11.2)
Ewing Village	(33)	(7.4)
Emmet Village	(3)	(4.3)
Inman Village	(16)	(10.1)
City of Neligh	(149)	(8.6)
Niobrara Village	(18)	(4.4)
Oakdale Village	(48)	(13.3)
Orchard Village	(49)	(11.2)
City of Tilden	(14)	(1.6)
Verdel Village	0	0.0
Verdigre Village	(50)	(8.2)
Other Areas:		
Antelope County	(784)	(9.8)
Holt County	(557)	(4.4)
Knox County	(348)	(3.6)
State of Nebraska	84,302	5.3

BEA data indicated that the assessment area continues to be a lower middle-income area. In 1990, the assessment area median family income level was 84.9 percent that of statewide rural areas. From 1996 to 1997, the PCPIs of each assessment area county decreased substantially as did their total personal income (TPI) levels. However, in 1997 all three area counties had PCPIs in the middle-income range when compared to the PCPI for statewide rural areas.² (Table 3) In 1997 no assessment area county had a PCPI below 80.0 percent that of the statewide rural area PCPI.

² PCPI is one of the factors considered by the Census Bureau during the decennial census when it determines an area's income level.

TABLE 3
COUNTY TOTAL PERSONAL INCOME (TPI) AND
PER CAPITA PERSONAL INCOME (PCPI) INFORMATION
(Source: BEA)

County:	% TPI Change 1996-97	PCPI			
		1996 (\$)	1997(\$)	% Change 1996-97	State Rank
Antelope	(4.6)	20,590	19,716	(4.2)	49
Holt	(2.2)	21,985	21,606	(1.7)	21
Knox	(3.3)	19,075	18,633	(2.3)	61
NE Rural Areas	0.3	20,545	20,635	0.4	--

Decennial census data showed that assessment area housing was substantially older than housing in statewide rural areas, and high housing vacancy rates indicated housing deterioration. Community contacts concurred that a large volume of area housing units is dilapidated and stated that this has resulted in a proliferation of housing development and rehabilitation efforts. Community contacts and Nebraska Northeast Economic Development District (NENEDD) reports disclosed that housing rehabilitation efforts are taking place in the assessment area villages of Atkinson, Creighton, Orchard, Tilden, Page and Verdigre. Most of these efforts take place through local community development corporations (CDCs) funded by Department of Housing and Urban Development (HUD), United States Department of Agriculture (USDA), and Farm Services Agency (FSA) programs and grants. (Source: NENEDD 1997-98 Annual Report, 1998 Summer/Fall Edition Link Newsletter)

Many area CDCs are also involved in economic development efforts to diversify their local economies. NENEDD data and community contacts cited several individual economic development projects in assessment area cities and villages.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank has satisfactorily met the requirements of the act. Its lending test and service test results were strong, and its investment test results were adequate based on the level of community development activity taking place in the assessment area.

A large variety of credit products are originated or brokered by the bank, including government-guaranteed loan products. The geographic distribution of bank loans is reasonable and generally reflective of the distribution of area residents, businesses and farms. The bank's small farm loans in particular showed a high level of responsiveness to credit needs in moderate-income areas.

There appeared to be few opportunities for investment and grants benefiting area community development projects, and the bank has not initiated or invested significantly in existing community development programs or organizations. However, the bank has responded to area investment needs through bond purchases and monetary contributions.

The bank offers a high level of services to develop individualized and at times innovative credit packages. These services have enabled several low- and moderate-income borrowers obtain credit. Although banking services and hours vary somewhat by branch, there was no indication that these differences result in unnecessary or arbitrary decreases in services to any part of the assessment area.

Lending Test

Most of the bank's lending activity was within its assessment area, and the distribution of bank loans throughout the assessment area's various income geographies was reasonable. Considering the presence of several CDCs and municipalities involved in residential lending, bank lending to borrowers of different income levels also appears to be reasonable. The bank's level of community development lending and the responsiveness of its credit products to the needs of the economically disadvantaged are adequate considering the business focus of the bank.

Lending Activity

Bank lending levels match its resources and capabilities well. There were no financial institutions in the assessment area of similar asset size, branch structure, or holding company resources against which to compare the bank. However, the bank's lending levels were generally comparable to those of the other area banks, which all had agriculture as their primary business emphasis. The bank's average loan-to-deposit ratio over the ten quarters since the last examination was 69.5 percent whereas the average of other area banks ranged from 33.8 percent to 94.0 percent.

Although other product types were reviewed, the lending test placed substantially more emphasis on the bank's agricultural lending record because it is the bank's primary lending focus. The loans reviewed for this analysis included:

- all small business and farm loans reported by the bank in 1997 and 1998
- small business and farm loans noted as such in the bank's loan portfolio from 1-1-99 to 5-31-99

- a sample of residential loans originated since the last examination.

Assessment Area Concentration

A substantial majority of bank loans were made inside of its assessment area. (Table 4)

LOAN TYPES:	ORIGINATIONS REVIEWED*		NUMBER WITHIN AA		DOLLAR VOLUME WITHIN AA	
	#	\$ (000)	#	%	\$ (000)	%
Residential	36	1,188	33	91.7	1,057	89.0
Small Business	1,029	31,222	981	95.3	29,140	93.3
Small Farm	3,831	103,565	3,469	90.6	91,127	88.0
TOTAL	4,896	\$135,975	4,483	91.6	121,324	89.2

Geographic Distribution of Loans

The geographic distribution of bank loans showed good penetration throughout the assessment area's tract income levels. (Table 5) The volume of bank loans within moderate-income geographies was good considering area economic conditions. Of the number of farm loans reported by the bank inside of the assessment area, 48.5 percent were in the moderate-income BNAs. Dun & Bradstreet data for 1998 indicated that 48.7 percent of the assessment area's agriculture-related establishments were in moderate-income BNAs.

The geographic distribution of other loan types was not as favorable. Dun & Bradstreet data indicated that 32.2 percent of area non-agricultural business establishments were in moderate-income BNAs, but only 14.1 percent of bank business lending was in these BNAs.

Although 1990 census data indicated that 41.8 percent of assessment area housing units were in moderate-income BNAs, only 24.2 percent of the residential loans sampled were in moderate-income BNAs. Bank management attributed its low volume of residential loans in moderate-income BNAs to loan competition from the numerous special home loan programs offered by area CDCs and municipalities.

LOAN TYPES:	TRACT INCOME LEVEL							
	Low		Moderate		Middle		Upper	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
Residential	NA	--	8	320	25	737	NA	--
% of Total Residential Loans	NA	--	24.2	69.7	75.8	69.7	NA	--
Small Business	NA	--	141	3,972	840	25,169	NA	--
% of Total Small Business Loans	NA	--	14.4	13.6	85.6	86.4	NA	--
Small Farm	NA	--	1,680	42,648	1,784	48,111	NA	--
% of Total Small Farm Loans.	NA	--	48.5	47.0	51.5	53.0	NA	--
TOTAL	NA	--	1,086	30,027	1,465	41,162	NA	--

Borrowers' Profiles

Overall, the distribution of borrowers showed good penetration among consumers of different income levels and businesses and farms of different sizes, considering that the bank is primarily an agricultural lender.

The bank reported a high percentage of loans to small businesses and farms in 1997 and 1998.³ In these years, 97.7 percent of its business loans were to small businesses and 99.5 percent of its farm loans were to small farms. (Annual revenue information was not available for 1999 small businesses and farm loan data.) Table 6 also shows that a substantial majority of the small business and farm loans the bank originated was for smaller dollar amounts. This indicated that the bank was willing to extend the low-dollar loans needed by small businesses and farms. Dun & Bradstreet data stated that 98.9 percent of assessment area businesses (including farms) were small (i.e., having gross revenues or profits under \$1million).

Loan Amount	Small Business Loans		Small Farm Loans	
	#	% of Tot.	#	% of Tot.
<=\$100,000	928	94.9	3,238	93.8
>\$100,000-\$250,000	37	3.8	172	5.0
>\$250,000	13	1.3	43	1.2
TOTALS	978	100.0	3,453	100.0
Note: Loan amounts were unverified for three small business loans.				

Compared to the 1990 income distribution of assessment area residents, the bank's volume of lending to low- and moderate-income borrowers was low. (Table 7) Census data indicated that in 1990, 48.0 percent of households and 46.7 percent of families⁴ had low or moderate incomes. However, only 25.0 percent of the number of residential loans sampled were to low- and moderate-income borrowers. There were two factors contributing to the low level. Bank management stated that the bank serves as a mortgage broker for government-guaranteed or sponsored loans and residential loans to low- and moderate-income borrowers using these programs did not appear on its loan trial balance. These loans are reflected in the bank's "Service Test" performance. Also, community contacts indicated that the large number of government-guaranteed loans and grants available to area low- and moderate-income residents directly through area CDCs and municipalities also may have affected the bank's ability to lend to those residents.

³ A small business or farm is defined as a business or farm with gross annual revenues/profits <=\$1 million the prior year. This analysis also refers to small business or farm loans. A small business loan is defined as a loan for a business purpose and for an amount under \$1MM regardless of the gross revenue size of the business. A small farm loan is a loan under \$500M and for an agricultural purpose regardless of the gross revenue size of the farm.

⁴ Families are a subset of households and represent households where the individuals are related by marriage, adoption or birth.

INCOME LEVEL:	Number Volume		Dollar Volume	
	#	% of Tot	\$ (Thou.)	% of Tot.
Low	4	12.5	54	5.1
Moderate	4	12.5	57	5.4
Middle	10	31.3	306	29.1
Upper	14	43.8	637	60.4
TOTAL	32	100	1,054	100

To arrive at the income levels of individual borrowers, their annual incomes were compared against the rural Nebraska, HUD-adjusted median family income level for the year the loan was originated. Median family income levels used for the residential loan sample analysis were: \$37,100 for 1997; \$39,300 for 1998; and \$39,800 for 1999.

Responsiveness to Credit Needs

The bank has adequately responded to the needs of the most economically disadvantaged areas of the community, low-income individuals and very small businesses and farms, consistent with safe banking practices. The bank has originated several loans to small farms and businesses in amounts under \$500 and that, thus, were not reported in its CRA data. It also originated consumer installment loans under \$500 and small-dollar overdraft protection plans to help meet the needs of the most economically disadvantaged consumers. According to its loan trial balance since the last examination, the bank has originated 40 consumer loans under \$500 and in amounts as low as \$100.

Community Development Lending Activities

The bank has made a small number of community development loans. Three instances were found where the bank provided loans to municipalities. A bank loan to a housing authority helped it refinance 12 low- to moderate-income housing units (\$62M). In addition, bank loans enabled villages in a moderate-income BNA to purchase a police car (\$10,000) and a motor grader for road repairs (\$12,000).

Product Innovation

The bank offers government-guaranteed small business, agricultural and home improvement loans in instances where borrowers cannot qualify for conventional loans through the bank. Table 8 shows the levels of these loans since the last evaluation.

Loan Type:	1997		1998		1999	
	#	\$ (Thou.)	#	\$ (Thou.)	#	\$ (Thou.)
FSA	2	147	0	0	9	1,003
SBA	1	880,000	0	0	1	47,500
Nebraska Energy	7	32,402	10	44,018	2	4,655
TOTALS	10	912549	10	44,018	12	53,158

The bank also uses secondary market funding sources to provide long-term home loans with flexible underwriting criteria, including those requiring low down payments with the purchase of private mortgage insurance. Since the last examination, the bank has originated 59 secondary market loans totaling \$4,384,185.

Investment Test

The bank's approach to community development initiatives is considered passive. However, there are few investment and grant opportunities in the assessment area. There are no large-scale community development efforts in the moderate-income BNAs, and organizations obtain funding through public rather than private sources.

Investment and Grant Activity

The bank had an adequate level of qualified community development investments and grants considering the limited offering in the area. Its investment portfolio contained four qualified community development investments totaling \$556,675. These investments benefited two school districts that, in part, served the moderate-income villages of Oakdale and Tilden and surrounding areas in southern Antelope County.

In addition, the bank has donated smaller amounts to community and economic development organizations such as Rural Enterprise Assistance Project (REAP) to provide seed money for REAP's revolving loan fund.

Responsiveness to Credit and Community Development Needs

The bank's responsiveness to credit and community economic development needs was adequate given that there was little evidence of any new or ongoing development needs requiring private monetary investment and/or grants.

Community Development Initiatives

The bank rarely uses innovative and/or complex investments to support community development initiatives nor has it participated in the initiation of new community development efforts.

Service Test

The bank provides a high level of community development services, which have focused primarily on helping low- and moderate-income applicants find sources of housing credit. The bank has developed productive relationships with area municipalities and CDCs and, through these relationships, has succeeded in obtaining credit services for low- and moderate-income individuals. Bank delivery systems adequately reach all parts of the assessment area, including low- and moderate-income areas, and individuals at all income levels.

Accessibility of Delivery Systems

Bank delivery systems result in its services being reasonably accessible to all parts of the assessment area. Its Verdigre branch is in a moderate-income area and the Neligh main office primarily serves a moderate-income area. Besides its four full-service locations, the bank has separate walk-up/drive-through facilities in Neligh and O'Neill. It also has automated teller machines (ATMs) at each of its drive-through facilities, in a convenience store in Neligh, and in a gas station and in an O'Neill convenience store. The bank's debit card gives customers access to their deposit accounts at ATMs and point-of-sale terminals nationwide.

In an effort to enhance its accessibility, this year the bank began offering two new delivery systems through its holding company: PCBanking and the TeleBank Access System. Both systems allow customers to complete deposit account transactions and have access to loan payment information.

Changes in Branch Locations

Since the last examination, the bank closed its Oakdale branch, which was located in a moderate-income BNA. Since the Neligh office is just eight miles away, the closing did not significantly affect the accessibility of bank delivery systems, and it did not negatively affect the bank's service test rating.

Neither the bank nor the Reserve Bank received written comments regarding the branch closure, and the closure was justified by business considerations. The primary reasons for the closure were personnel safety concerns and limited customer traffic. The office was staffed by one individual and while the cost of operating the facility made it impractical to hire another person to help man the facility, recent robberies of rural banks made safety a concern. Bank management monitored customer traffic at the branch from 1996 to 1998. It compared the low volume of branch transactions to the annual expense of operating the facility and considered the substantial repairs the facility required in making its determination.

Bank management has adopted a branch closing policy that contains procedures to ensure that the credit needs of and alternative service delivery methods for its customers are adequately considered prior to a branch closing.

Reasonableness of Business Hours/Services

Overall, the bank's hours and level of service are similar at each of its offices and the differences between branches are considered reasonable. Its CRA public file adequately discusses the services available at each bank office and differences in services between bank offices. Pinnacle Bancorp, Inc. dictates the types of services available at each office based primarily on the level of competition each office faces from local financial institutions. This has resulted in some loan and deposit account service charge differences among branches, with the lowest charges in areas with the most financial institution competition.

Competitive factors have also affected the hours of branch operation and, to a lesser extent, credit product offerings and loan officer availability. Bank branches in the villages of Verdigre and Page face no direct competition from other financial institutions and have lower customer traffic. A loan officer is only available at the Page facility on Saturday and during the week by appointment. Although Verdigre has a full-time loan officer, it does not offer overdraft checking accounts but instead will make low-dollar installment and single-payment consumer loans.

Community Development Services

Much of the bank's community development efforts relate to its loan services. The bank uses creative and innovative services to meet special credit needs. It has worked successfully with several area municipalities and CDCs to ensure that low- and moderate-income residents and small businesses and farms are able to obtain credit even though it is not directly through the bank. It has also provided substantial technical assistance to applicants for special loan programs. Following are some of the bank's community development services performed since the last examination:

- Serving as president of and providing substantial technical assistance to the Verdigre Development Corporation, which developed and implements the village's economic development and affordable housing development loan and grant programs
- Working with the city of O'Neill and Central Nebraska Community Service (CNCS) to creatively package affordable housing loans combining the use of down payment grants, CNCS funding and private funding
- Helping Page Development Corporation develop an affordable housing loan program in conjunction with CORE (a regional CDC serving the community and economic development needs of several assessment area municipalities)
- Serving on the board of the Antelope County Resource Center, which serves as the focal point for several area CDCs, including CORE, and private economic development efforts
- Completing applications and developing balance sheets and financial statements for SBA and FSA loan applicants
- Counseling home loan applicants and acting as their liaison with municipalities and CDCs to help them determine whether they may qualify for state, federal or regionally funded home loan programs.

The bank began working with a mortgage company to broker loans for consumers needing unconventional home loan products. Since beginning this service, bank has brokered eight loans using one or more of the following funding sources on each origination:

- Nebraska Finance Investment Authority (NIFA)
- CORE
- CNCS
- Federal Housing Authority (FHA)
- Village and state Community Development Block Grants (CDBG)
- United States Department of Agriculture's (USDA's) Rural Economic Community Development (RECD)

With the exception of NIFA and FHA, these loan programs are designed to benefit low- and moderate-income individuals or geographies.

Two deposit-related services provided by the bank particularly benefit low- and moderate-income individuals. The bank offers the Pinnacle Free Checking Account, which requires no minimum balance or service charge. The bank also holds a Nebraska Interest on Lawyers

Trust Account (IOLTA), the interest on which helps provide legal services for low- and moderate-income individuals.

SCOPE OF EXAMINATION

The bank is owned by Pinnacle Bancorp, and the bank's twenty banking affiliates and six holding company affiliates are located in Colorado, Kansas, Nebraska and Wyoming. However, loans originated by the bank's affiliates were not considered for purposes of this examination.