

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FIRST AMERICAN BANK

RSSD Number: 499248

635 1st Street
Webster City, Iowa 50595

FEDERAL RESERVE BANK
OF CHICAGO

230 South LaSalle
Chicago, Illinois 60604

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

INSTITUTION RATING:

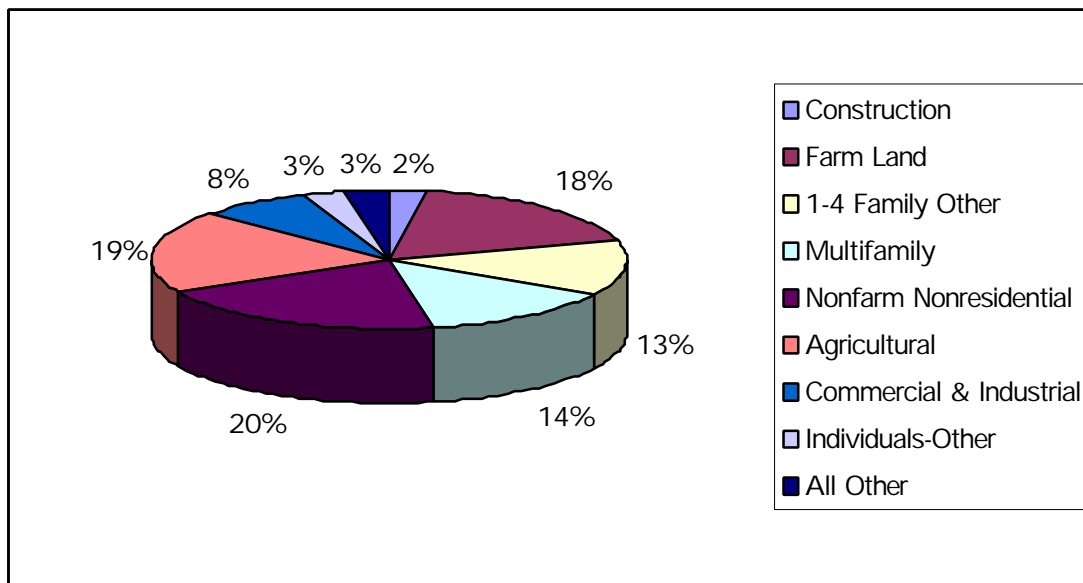
The institution is rated Satisfactory.

First American Bank has a satisfactory record of meeting the needs of the assessment area. The bank is predominantly an agricultural and commercial lender. In addition, a large portion of the loan portfolio consists of 1-4 family residential mortgages. The bank's loan-to-deposit ratio meets the standard for satisfactory performance. The concentration of loans and lending activities within the assessment area meets the standard for satisfactory performance. The distribution of loans to borrowers of different incomes and to farms of different sizes exceeds the standard for satisfactory performance. The geographic distribution of loans was not evaluated because all geographies, or block numbering areas, in the assessment area are middle-income; therefore, an analysis would not be beneficial. There were no CRA-related complaints received by the bank since the previous examination.

DESCRIPTION OF INSTITUTION

First American Bank, with total assets of \$88,123,000 as of June 30, 1998, is a subsidiary of First American Bank Group, Ltd., Fort Dodge, Iowa, a four-bank holding company. The bank operates one full-service facility, including an automated teller machine, in Webster City. The following chart shows the composition of the loan portfolio.

LOAN MIX—FIRST AMERICAN BANK



In addition to the loans shown in the preceding table, the bank offers 1-4 family residential home equity lines of credit, credit cards, loans guaranteed by the Farm Service Agency, and loans from the Guaranteed Rural Housing Loan Program, which is a federally insured loan program available to households who are not eligible for conventional financing.

According to the bank's management, its primary local competitors are First State Bank and Webster City Federal Saving & Loan.

The bank meets the credit needs of its assessment area consistent with its size, financial capacity, location, and the current economic conditions. There are no legal or regulatory impediments that would prevent the bank from meeting its CRA obligations.

The bank's CRA performance was last reviewed as of October 6, 1997, when a CRA rating of Satisfactory was assigned.

DESCRIPTION OF FIRST AMERICAN BANK'S ASSESSMENT AREA

The Community Reinvestment Act requires financial institutions to identify one or more "assessment areas" within which the appropriate regulatory agency will evaluate the bank's CRA performance. An institution's assessment area will include the towns, counties, or other political subdivisions where its branches are located and a substantial portion of its loans are made. Assessment areas must consist of one or more block numbering areas (BNAs) or census tracts, which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in nonmetropolitan locations.

First American Bank has defined its assessment area as all of Hamilton County. The bank's office is located in Webster City, Iowa, with a population of 7,894 according to 1990 U.S. Census data. Webster City is approximately 70 miles north of Des Moines and 25 miles east of Fort Dodge. The total population of the assessment area is 16,071, of which 15,844 or 98.6% is white. Minorities comprise 1.4% of the total population and the largest single group of minorities is the Hispanic population, which comprises 0.8% of the area population.

The assessment area is comprised of five block numbering areas, 9601, 9602, 9603, 9604, and 9604 and all are classified as middle-income. As of 1990, the median family income for the assessment area was \$31,069. That figure is higher than the median family income of \$29,303 for all nonmetropolitan areas in the state. The breakdown of families in the assessment area, by income level, is as follows: low-income, 13.5%; moderate-income, 19.0%; middle-income, 26.8%; and upper-income, 40.7%. There are 259 families, or 5.5% of the total number of families in the assessment area, that are living below the poverty level. That compares to 8.8% of the nonmetropolitan population that is living below the poverty level. The bank's assessment area has a higher proportion of middle- and upper-income individuals and a lower proportion of low-income individuals than the rest of the nonmetropolitan areas of the state. The population of persons 17 years of age or younger and 65 years of age or older for the assessment area is comparable to all nonmetropolitan areas.

The percentage of housing units in the assessment that are owner-occupied is comparable to the nonmetropolitan percentage. Of the 6,879 units in Hamilton County, 4,515, or 65.6%, are owner-occupied and 1,843, or 26.8%, are rental units. For the statewide nonmetropolitan areas, 66.3% of the housing units are owner-occupied and 25.3% are rental units. The median housing value for the assessment area is \$39,932, which is slightly higher than the statewide housing value of \$38,521. In addition, the gross rent for both areas are comparable with the rent in the assessment area at \$295 and the nonmetropolitan figure at \$292. Finally, 50.1% of the homes in the assessment area were built before 1950 and the median age for the homes is 57 years. For the state, 48.9% of the homes in nonmetropolitan areas were built before 1950 and the median age is 39 years.

An affordability ratio can be developed by dividing the median household income by the median household value for a given area or group of geographies. This ratio is useful for comparing housing costs for different areas. An area with a higher ratio generally has more affordable housing costs than areas with lower ratios. According to 1990 U.S. Census data, the affordability ratio for the assessment area is .65, which is comparable to the statewide nonmetropolitan ratio of .63.

The unadjusted unemployment rate for Hamilton County was 2.3% as of August 1998 and 2.7% as of August 1997. The unadjusted unemployment rate for the entire state of Iowa was 2.3% for August 1998 and 2.9% for August 1997.

Based on the data above, it appears that a variety of residential home loans may be a credit need in the community. With a high percentage of home ownership in the area, home improvement loans may be useful. In addition, the area has a high percentage of homes that were built before 1950. Older homes often need routine maintenance and refurbishing as they get older. This also would indicate a need for home improvement or rehabilitation loans. Finally, the affordability ratio of .65, housing values and gross rents which are higher than the statewide non-metropolitan average values, and the low unemployment rate indicate that prices for homes may be inflated due to high demand and low supply. Community contacts indicated that there is a housing shortage in the Webster City area. Financing for new homes is another opportunity for the financial institutions in the area.

Major employers in the area are shown in the following table:

FIRST AMERICAN BANK Major Employers		
EMPLOYER	# OF EMPLOYEES	PRODUCT/SERVICE
Frigidaire	1,600	clothes washers & dryers
Van Diest Supply Co.	400	fertilizers/chemicals
Tasler Pallet and EPS	165	pallets & EPS products
Webster City Custom Meats	135	processed meat products
Beam Industries	76	central vacuum systems
Mary Ann's Specialty Foods	75	custom pork/beef/poultry processing
Seneca Foundry	72	ductile iron, custom casting
Arrow-Acme Corporation	70	aluminum castings
Vantec, Inc.	65	plastic components
Daily Freeman Journal	60	newspaper/printing

Loan-to-Deposit Ratio

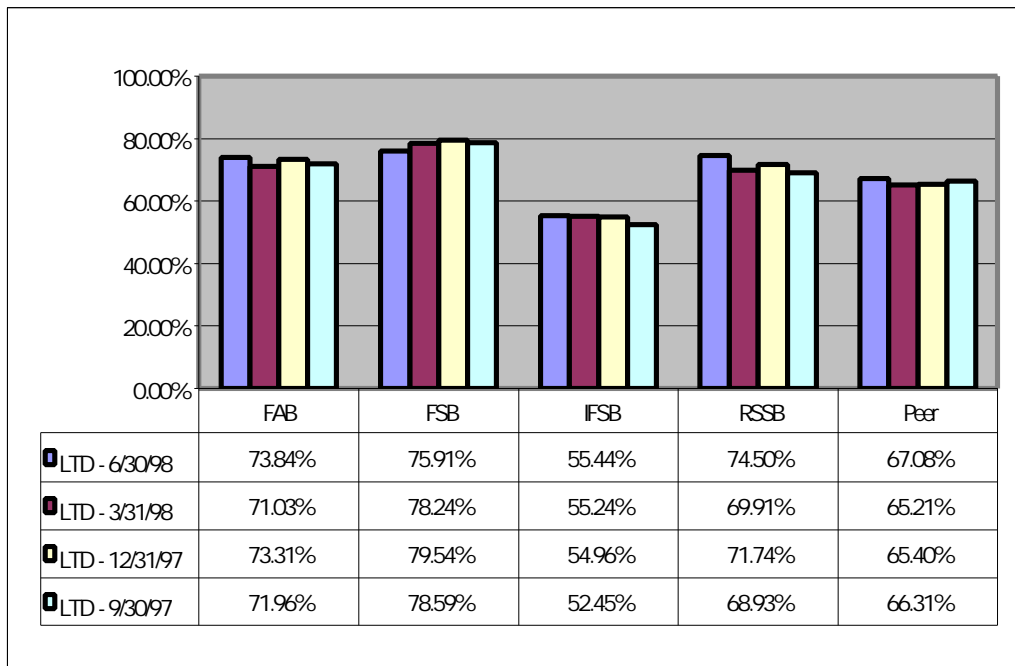
First American Bank's loan portfolio was reviewed to evaluate its lending performance in comparison to its peer group and local competitors. The bank's peer group is defined as "all insured commercial banks with average assets for the latest quarter between \$50 million and \$100 million with two or fewer banking offices in a nonmetropolitan area." The local competitors were defined by management as First State Bank and Webster City Federal Savings and Loan Association. No current loan information was available for Webster City Savings and Loan for use in the loan-to-deposit analysis. Total assets of the S&L were \$97,096,000 as of June 30, 1998. The most recent loan-to-deposit ratio of approximately 76.7% was from September 30, 1997. The other two banks, Iowa Falls State Bank and Randall-Story

State Bank, were chosen for this analysis because they are comparable to the subject bank in size and because each has a branch in Hamilton County.

The most recent loan-to-deposit ratio for First American Bank was 73.8% as of June 30, 1998. The peer group ratio for the same period was 67.1%. The ratios for the competitors as of June 30, 1998 were: First State Bank—75.91%; Iowa Falls State Bank—55.4%; and Randall-Story State Bank—74.5%. The average ratio of the most recent four quarters for First American was 72.5%; 66.0% for the bank’s peer group; 78.1% for First State Bank; 54.5% for Iowa Falls State Bank; and 71.3% for Randall-Story State Bank.

First American’s loan-to-deposit ratio is above its peer group ratio and comparable to the ratios of local competitors. Thus, the bank’s loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.

LOAN-TO-DEPOSIT RATIOS FOR FIRST AMERICAN, ITS PEER GROUP AND SELECTED COMPETITORS



LEGEND: Bank #1 is First American Bank, Webster City (FAB); 6-30-98 assets(000s)--\$88,123
 Bank #2 is First State Bank, Webster City (FSB); 6-30-98 assets (000s)-- \$108,772
 Bank #3 is Iowa Falls State Bank, Iowa Falls (IFSB--branch is in Williams, IA in Hamilton County); 6-30-98 assets (000s)—\$73,142
 Bank #4 is Randall-Story State Bank (RSSB-- branch is in Randall, IA in Hamilton County); 6-30-98 assets (000s)-- \$52,082
 Column 5 represents FAB’s PEER Group.

Lending in the Assessment Area

A sample of 116 secured consumer and 130 agricultural loans was statistically chosen from the 12 months preceding this examination. The consumer loans were chosen for the sample because of the volume of loans the bank generates, even though the dollar amount is relatively small in comparison to the rest of the loan portfolio. The agricultural loans were chosen because management considers that type of loan as a major product.

The following tables depict the number and dollar amounts of each type of loan in the sample that were inside and outside the assessment area.

LOANS TO SMALL FARMERS:

SMALL FARM	INSIDE ASSESSMENT AREA	OUTSIDE ASSESSMENT AREA
Total number of loans	96	34
Percentage of total loans	74%	26%
Total amount of loans	\$5,779,755	\$2,055,579
Percentage of total loans	74%	26%

CONSUMER LOANS—SECURED

OTHER-SECURED	INSIDE ASSESSMENT AREA	OUTSIDE ASSESSMENT AREA
Total number of loans	84	28
Percentage of total loans	75%*	25%*
Total amount of loans	\$492,930	\$201,431
Percentage of total loans	71%*	29%*

*NOTE: 4 loans in the sample were missing geocoding information. The percentages are based on number of records with data available.

Based on the information above, the number and dollar amount of loans in the assessment is reasonable and meets the standard for satisfactory performance.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank utilizes income codes for CRA purposes on all of its consumer loans. A code is assigned to each income category (low, moderate, middle, and upper), based on the median family income for nonmetropolitan areas within the state. Before May 1998, the bank was using 1990 census data for its income calculations. After May, the management started using the most current income information available, which is the 1996 HUD estimate for median family income for nonmetropolitan areas. Ten percent of the bank’s calculations were verified by reviewing income information in the applicants’ loan files and all figures were correct. The analysis of 116 secured consumer loans reflected the following distribution: 57, or 49.14%, were granted to low-income individuals; 24, or 20.69%, were granted to moderate-income individuals; 17, or 14.66%, were granted to middle-income individuals; and 18, or 15.51%, were granted to upper-income individuals.

Small business loans are those loans with an original loan amount of less than \$1 million made to businesses with less than \$1 million in gross annual revenues. Small farm loans are those loans with an original loan balance of less than \$500,000 made to farms with gross annual revenues less than \$1 million. Of the 130 agricultural loans sampled, all except one were in amounts less than \$500,000.

FLEXIBLE LOAN PROGRAMS

First American Bank qualified for participation in the Guaranteed Rural Housing Program which "offers private lenders a user-friendly program to help households who are not eligible for conventional financing and who do not exceed moderate income, purchase new or existing dwellings for use as a primary residence in rural areas." This is a government-insured program. The bank granted two loans for \$106,164 under the program since they qualified in April 1998. Loans originated under this program are subsequently sold to the secondary market.

The bank is willing to originate loans through the Small Business Administration program; however, no loans are outstanding at this time. In addition, the bank offered student loans but all have been sold to the secondary market. Finally, First American has originated 10 loans for \$871,213 under the government-insured loan program sponsored by the Farm Service Agency. Of those loans, four have been originated since the beginning of 1998 for a total of \$369,937.

Based on the analysis of this loan data in comparison to the demographics of the assessment area, First American Bank exceeds the standard for satisfactory performance.

Geographic Distribution

There are no low- or moderate-income geographies within the bank's assessment area. Therefore, an analysis of loan distribution within geographies was not conducted.

Response to Substantiated Complaints

No complaints were received by the institution regarding its CRA performance since the previous examination.