
PUBLIC DISCLOSURE

April 5, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CENTRAL TRUST & SAVINGS BANK
RSSD # 802848

401 West Main Street, P.O. Box 518
Cherokee, Iowa 51012-0518

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

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

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Central Trust & Savings Bank, Cherokee, Iowa**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **April 5, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

Central Trust & Savings Bank offers a variety of loan products and flexible loan programs to help meet the identified needs of its community. The bank's loan-to-deposit ratio remains significantly above that of its peer group and most of its local competitors. The majority of the bank's loans are concentrated within its assessment area. Based on an analysis of a sample of loans and the bank's participation in flexible loan programs, the distribution of loans among borrowers of different income levels and businesses and farms of different sizes is reasonable. Since there are only middle-income geographies in the bank's assessment area, a limited geographic distribution test was performed. The test indicated a reasonable distribution of loans throughout the assessment area. No low- or moderate-income geographies were arbitrarily excluded from the assessment area. Community development services and investments enhance credit availability in the assessment area. There were no CRA-related complaints received by the institution or this Reserve Bank since the previous examination.

DESCRIPTION OF INSTITUTION

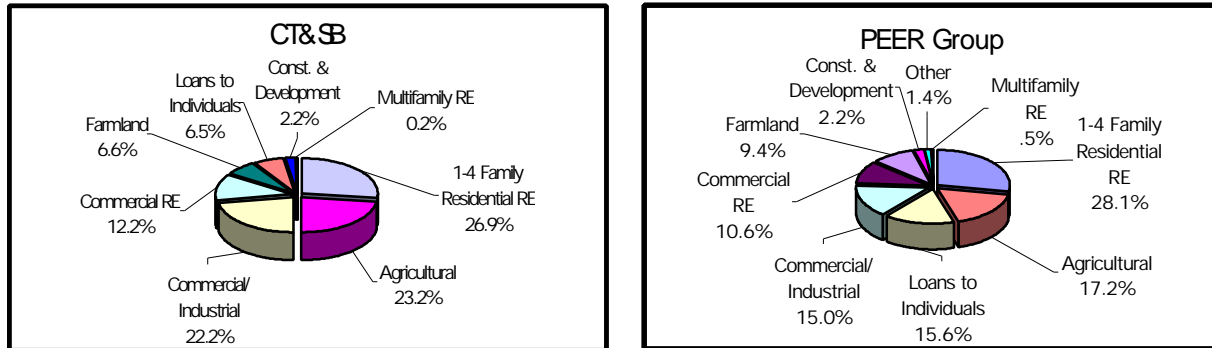
Central Trust & Savings Bank (CT&SB), with total assets of \$46,389,000 as of December 31, 1998, is a subsidiary of Commercial Financial Corporation, a two-bank holding company located in Storm Lake, Iowa. The bank is located in Cherokee County in northwestern Iowa, approximately 180 miles northwest of Des Moines and 70 miles east of Sioux City. The bank has two branch offices in Cherokee County; one in Quimby, approximately nine miles southwest of Cherokee, and one in Washta, approximately 16 miles southwest of Cherokee. The bank operates one automated teller machine at the main bank. CT&SB offers a variety of loan and deposit products to meet local needs.

The bank's peer group includes all insured commercial banks having assets between \$25 million and \$50 million with two or more banking offices located in a non-metropolitan area.

CT&SB's primary competitors in Cherokee include: Cherokee State Bank; Valley Bank & Trust; the Cherokee office of First Federal Savings Bank of Siouxland, Sioux City; and Cherokee Community Credit Union.

Based on information contained in the December 31, 1998 Uniform Bank Performance Report (UBPR), the distribution of loans for the bank and its peer group is illustrated in Exhibit 1. CT&SB's primary credit products are 1-4 family residential real estate, agricultural, and commercial/industrial loans. The bank has a higher percentage of agricultural and commercial/industrial loans than its peer group, and a lower percentage of loans to individuals.

Exhibit 1



There are no apparent factors relating to the bank's financial condition, size, products offered, prior performance, legal impediments, or local economic conditions that would prevent the bank from meeting the community's credit needs.

The bank was rated **outstanding** at the previous examination as of September 16, 1996.

DESCRIPTION OF ASSESSMENT AREA

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 geographies defined by 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 non-metropolitan areas.

The bank has defined all of Cherokee and Buena Vista Counties as its assessment area. The assessment area includes four middle income BNAs in Cherokee County: 9801, 9802, 9803, and 9804; and six in Buena Vista County: 9601, 9602, 9603, 9604, 9605, and 9606. Most of the bank's lending occurs in Cherokee County while the other bank in the holding company extends credit primarily in Buena Vista County.

The total population in the bank's assessment area is 34,063. Approximately 26% of the assessment area's population is 17 years of age or younger and 18% is 65 years of age or older, similar to the demographics for non-metropolitan Iowa.

According to 1990 U.S. Bureau of Census data, the median family income for the assessment area is \$28,808, which is slightly lower than the \$29,303 median family income for non-metropolitan Iowa. Assessment area income is distributed as follows:

15.4% low-income, 20.3% moderate-income, 29.6% middle-income, and 34.7% upper-income. The distribution of income for non-metropolitan Iowa is: 17.5% low-income, 19.2% moderate-income, 25.8% middle-income, and 37.5% upper-income. The percentage of families living below the poverty level in the assessment area is 7.5%, which is lower than the 8.8% for non-metropolitan Iowa.

In contrast to 1990 U.S. Bureau of Census data, the Department of Housing & Urban Development (HUD), the fiscal year 1999 median family income is estimated at \$40,300 for Cherokee County and \$39,800 for Buena Vista County. Based on information provided by HUD the estimated median family income for non-metropolitan Iowa was \$41,200 for 1998, the latest year for which this information was made available. As of 1994, the Iowa State University Extension Service estimated the total personal income for Cherokee County as \$20,487.

The assessment area's housing market consists of 14,113 total housing units. Approximately 64% of these units are owner occupied, 28% are rental units, and 8% are vacant. For non-metropolitan Iowa, 66% are owner occupied, 25% are rental, and 9% vacant. The median housing value in the assessment area is \$37,150 and the median age of the housing stock is 39 years, which is similar to the median housing value of \$38,521 and median age of 39 years for the non-metropolitan areas of the state. Median gross monthly rent for the assessment area is \$277, which is slightly lower than the non-metropolitan Iowa median gross monthly rent of \$292. Housing within the assessment area is predominately single-family, and approximately 89% of the housing stock consists of 1-4 family units.

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 in comparing housing costs for different areas. An area with a higher ratio generally has more affordable housing than areas with lower ratios. According to 1990 U.S. Bureau of Census data, the affordability ratio for the bank's assessment area is .66, which is higher than the non-metropolitan rate of .63. This indicates that housing is more affordable in the assessment area than in the non-metropolitan areas of the state.

Cherokee community contacts indicated that affordability is an issue because of the area's low wages. There are many homes for sale in Cherokee, with an estimated average price of a home was between \$50,000 and \$80,000, but local wages are low. For example, for manufacturing jobs wages are 15% to 20% lower in the Cherokee area than in other parts of Iowa.

According to the Iowa Work Force Development, the unemployment rate as of February 1999 was 3.8% for Cherokee County, 2.2% for Buena Vista County, and 2.6 for Iowa. As of February 1998, the rates were 3.7%, 2.2%, and 2.9%, respectively. Exhibit 2 lists the major employers in the bank's assessment area.

Exhibit 2

Major Assessment Area Employers			
Employer	Location	Employment	Product/Service
Wilson Foods Corporation	Cherokee	656	Hot Dogs, Bacon, Ham
Mental Health Institute	Cherokee	275	Mental Health Services
Sioux Valley Memorial Hospital	Cherokee	215	Medical Services
Hy-Vee Distribution Center	Cherokee	190	Food Distribution
IBP, Inc.	Storm Lake	1,400	Pork Processing
Bil-Mar Foods, Inc.	Storm Lake	600	Turkey Processing
Buena Vista College	Storm Lake	140	Education
Storm Lake Community Schools	Storm Lake	140	Education

FAIR LENDING

CT&SB was examined for compliance with fair lending laws and regulations. A sample of loan transactions was reviewed to determine whether loan policies, underwriting standards, and credit practices were in compliance and administered equitably. No evidence of prohibited discriminatory credit practices was detected. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Performance standards for small banks consist of the following, as applicable: the bank's loan-to-deposit ratio, percentage of loans and other lending-related activities located in the bank's assessment area, the record of lending to borrowers of different incomes and businesses and farms of different sizes, geographic distribution of loans, and the record of taking action in response to written complaints. To determine CRA performance, these standards are analyzed and evaluated within the assessment area context, which includes, but is not limited to, a comparative analysis of assessment area and 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.

Loan-to-Deposit Ratio

CT&SB's loan portfolio was reviewed to evaluate its lending, loan mix, and how the bank's performance compares to its peer group and to local competitors. Based on this review, CT&SB's LTD ratio exceeds the standards for satisfactory performance.

The average net LTD ratio of the bank for the six quarters ending December 31, 1998 was 86.7%, which is substantially higher than the six-quarter peer group average of 68.8%. The LTD trend for the bank and its peer group is shown in Exhibit 3.

Exhibit 3

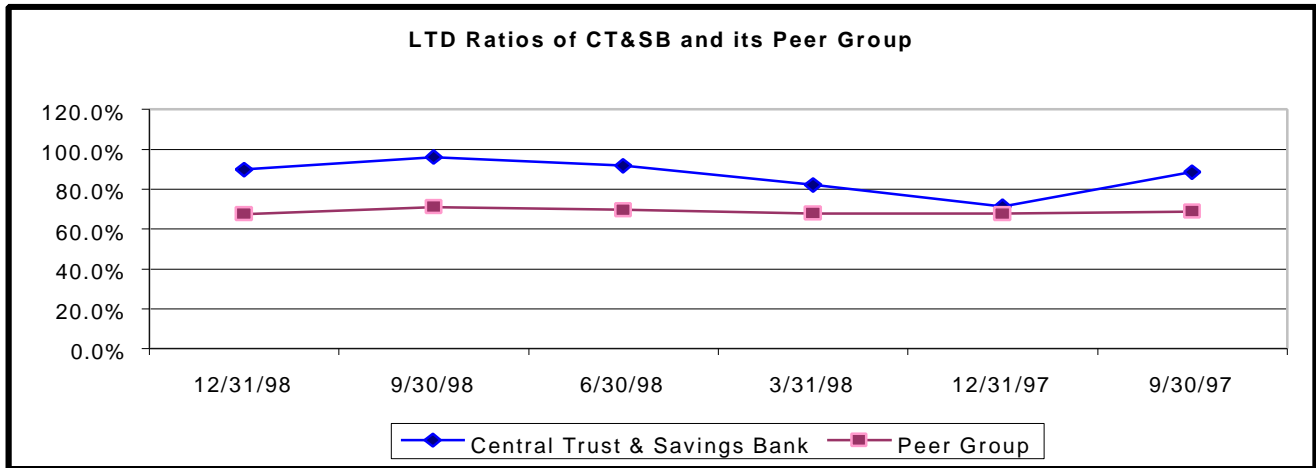


Exhibit 4 shows the bank’s LTD ratio for the six quarters ending December 31, 1998 in comparison to four area competitors; as illustrated, the bank’s LTD ratio is above the ratios of three local competitors and comparable to that of Valley Bank & Trust.

Exhibit 4

Bank Name & Assets as of 12/31/98 (000s)	Quarterly Loan to Deposit Ratios						Average LTD for Six Quarters
	12/31/98	9/30/98	6/30/98	3/31/98	12/31/97	9/30/97	
CT&SB, Cherokee (\$46,389)	89.8%	96.1%	91.7%	82.1%	71.7%	88.5%	86.7%
Cherokee State Bank, Cherokee (\$146,028)	55.8%	56.0%	56.4%	50.6%	50.8%	48.0%	52.9%
Valley Bank & Trust, Cherokee (\$21,252)	82.2%	89.7%	89.2%	85.9%	84.6%	88.9%	86.8%
First Trust & Savings Bank, Aurelia (\$28,851)	69.8%	76.5%	75.1%	74.1%	76.4%	74.9%	74.5%
Security Trust & Savings Bank, Storm Lake (\$68,433)	60.1%	63.1%	63.9%	56.5%	59.8%	57.6%	60.2%

Lending in the Assessment Area

A sample of 259 agricultural, 245 consumer, 108 commercial, and 103 residential real estate loans was reviewed for the period from January to December 1998 to determine the bank’s level of lending in the assessment area. Exhibit 5 shows the majority of these loans were originated within the assessment area, which meets the standards for satisfactory performance.

Exhibit 5

Loans within Assessment Area (AA) by Loan Type			
Loan Type	Number of Loans in the AA	Percentage by Number of Loans in the AA	Percentage by Dollar Amount of Loans in the AA
Agricultural	233	90.0	97.6
Consumer	182	74.3	67.0
Commercial	85	78.7	77.0
Residential Real Estate	84	81.6	77.3

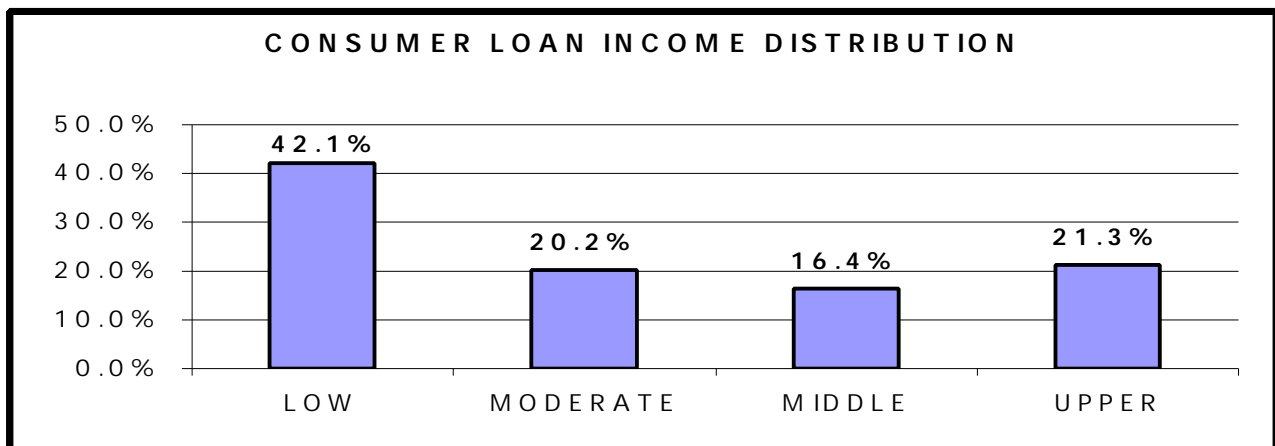
Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Consumer and Residential Real Estate Loans

A sample of 183 consumer and 59 residential real estate loans within the assessment area was reviewed to determine the bank’s level of lending to borrowers of different income levels. For real estate loans, income figures were obtained from the credit files. For the consumer loans, the bank does not retain income information; therefore, a proxy by loan amount was used to estimate the distribution of lending. Loan data were then compared to the HUD adjusted median family income for Cherokee and Buena Vista Counties.

The distribution of consumer loans, shown in Exhibit 6, reflects an excellent penetration among borrowers of low- and moderate-income. This demonstrates the bank’s commitment to serve the needs of the low- and moderate-income segments of its assessment area. The 1990 census data shows 15.4% and 20.3% of the assessment area population as low- and moderate-income, respectively.

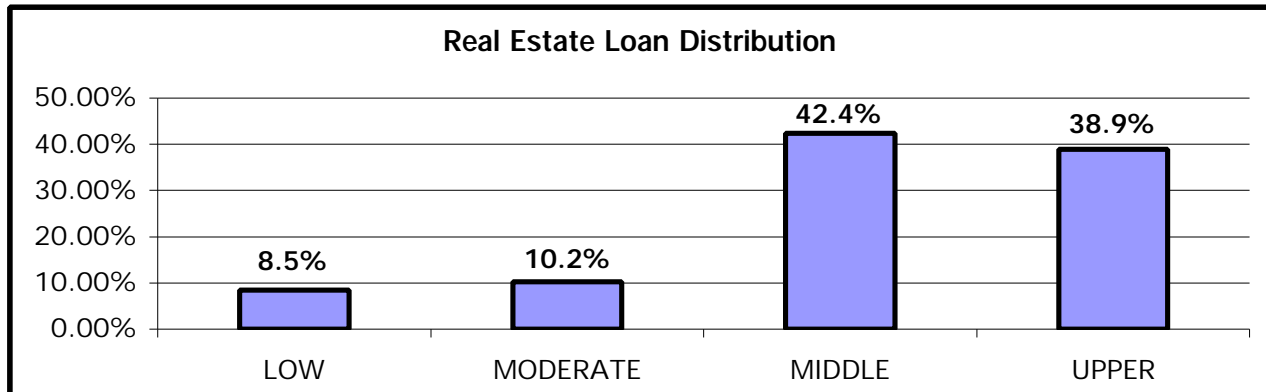
Exhibit 6



As illustrated in Exhibit 7, the bank’s real estate loans are concentrated in the middle- and upper-income categories. According to community contacts, there are many homes available for sale in the Cherokee area, with an estimated average price between \$50,000 and \$80,000; however, low wages have interfered with the ability of area residents to

purchase these homes.

Exhibit 7



Commercial and Agricultural Loans

Small business loans are those loans with an original loan balance of less than \$1 million granted 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 granted to farms with less than \$1 million in gross annual revenues.

A majority of the 85 commercial and 233 agricultural loans sampled that were in the bank's assessment area were granted for amounts less than \$500,000 and almost all had gross revenues less than \$1 million, indicating the bank's willingness to extend credit to small businesses and small farms.

Flexible Loan Programs

CT&SB participates in the following flexible loan programs:

- The Federal Home Loan Bank's "First Home Fund" which provides down payment and closing cost assistance to households that are purchasing 1-4 family, owner-occupied, properties. Eligible households must have an annual income at or below 80% of the median family income. Since the last examination, the bank obtained one grant for \$3,908 and originated one loan for \$17,250.
- The USDA's "Rural Housing Service Participation Loan" program which is designed for lower- to moderate-income families who may have no down payment for the purchase of a residence. Applicants must meet certain income guidelines. Since the last examination, the bank extended three loans totaling \$38,825.
- The bank granted three loans totaling \$99,630 under the Farm Services Agency program since the previous examination.
- The bank granted four loans totaling \$449,100 under the Small Business Administration

program since the previous examination.

Community Development Loans

CT&SB originated a \$200,000 community development construction loan that benefited its assessment area. After the construction was completed, the bank continued with a term loan for \$100,000 while the other \$100,000 was financed by the local economic development corporation via the county's revolving loan fund provided through the USDA.

Conclusion Regarding Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Overall, the penetration of the bank's loans among individuals of different income levels and businesses and farms of different sizes is reasonable and meets the standards for satisfactory performance.

Geographic Distribution of Loans

While the assessment area does not contain low- or moderate-income geographies, an analysis of the distribution of loans throughout the assessment area was conducted. Based on this analysis, the bank's loans are reasonably distributed. The majority of the loans were made in Cherokee County, with a few loans dispersed through Buena Vista County. No low- or moderate-income geographies were arbitrarily excluded from the assessment area.

Community Development Investments and Services

The bank's community development investments and services enhanced the credit availability in the assessment area. Since the previous examination, the bank participated in a general obligation bond benefiting the low- and moderate-income segment of its assessment area; the bank's participation equaled approximately \$233,000. The bank also provided technical assistance for first-time homebuyers seminars.