

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 **The Commercial Trust & Savings Bank** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **September 16, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CAR Part 228.

INSTITUTION-S RATING: This institution is rated Outstanding.

The bank generally promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions. These efforts are evidenced through a consistently high loan-to-deposit ratio, the substantial majority of its loans are within the assessment area, and a strong performance of lending to businesses and farms of different sizes as well as consumers of different income levels.

The following table indicates the performance level of **The Commercial Trust & Savings Bank, Storm Lake, Iowa** with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	THE COMMERCIAL TRUST & SAVINGS BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does Not Meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans	There are no low or moderate-income geographies, thus the analysis is not meaningful.		
Response to Complaints	No CRA-related complaints were received since the previous examination		

DESCRIPTION OF INSTITUTION

The Commercial Trust & Savings Bank, with total assets of \$51.5 million as of June 30, 1996, is a subsidiary of Commercial Financial Corporation, a multi-bank holding company. The bank operates its main office and a limited service branch in Storm Lake, which is in Buena Vista County, Iowa, and is approximately 60 miles east of Sioux City, Iowa. The bank offers a variety of deposit products and services, insurance and trust services, as well as residential, agricultural, commercial real estate and consumer loans; automated teller machine (ATM) services are provided at the branch office.

The bank is predominantly a real estate lender. Based upon information contained in the most recent Uniform Bank Performance Report, 52.29% of the bank's portfolio is real estate loans, followed by commercial and industrial loans (20.95%), agriculture loans (14.09%) and loans to individuals (10.58%).

The bank's principal competitors include: Citizens First National Bank of Storm Lake; First Federal Savings Bank of the Midwest, Storm Lake; Security Trust and Savings Bank, Storm Lake; Northwest Federal Savings Bank, a branch of Spencer, Iowa thrift in Storm Lake; and Central Trust and Savings Bank, Cherokee, Iowa.

Commercial Trust and Savings Bank's prior CRA performance was determined to be satisfactory and the bank does not currently face any legal impediments that impact its CRA performance.

DESCRIPTION OF THE COMMERCIAL TRUST & SAVINGS BANK'S ASSESSMENT AREA

The bank's assessment area includes all of Buena Vista and Cherokee Counties; it contains 10 whole block numbering areas (BNAs), none of which are low- or moderate-income. The assessment area includes the communities of Albert City, Marathon, Linn Grove, Rembrandt, Sioux Rapids, Newell, Sulpher Springs, Storm Lake, Alta, Truesdale, Hanover, Cherokee, Marcus, Larrabee, Washta, Meridan, Cleghorn, Aurelia and Quimby.

The assessment area has a total population of 34,063 of which 33,335 or 97.9% are White, 89 or 0.3% are Black, 425 or 1.2% are Asian, 137 or 0.4% are of Hispanic decent, and 77 or 0.2% are Native American, based upon 1990 census data. The assessment area includes a total of 9,168 families, of which 1,408 (15.4%) are low-income, 1,859 (20.3%) are moderate-income, 2,716 (29.6%) are middle-income and 3,185 (34.7%) are upper-income. The median family income in the assessment area is \$28,808, compared to the state non-metropolitan median family income of \$29,303.

The assessment area's housing market consist of 14,113 total housing units: 9,004 (63.8%) are owner occupied, 4,025 (28.5%) are rental units and 1,084 (7.7%) are vacant. One-to-four family units, five or more units and mobile homes account for 88.6% (12,510), 6.8% (965) and 3.7%

(523) of total housing units, respectively. The median housing value in the assessment area is \$37,150, compared to \$38,521 for the state.

Agriculture and agriculture-related businesses are the major industries in Buena Vista County; Storm Lake is the county seat and business center. Corn and soybean are the county's major cash crops and hogs and cattle production are its major livestock enterprises. Major employers in Storm Lake include: IBP, Inc., (Pork processing) with 1,300 employees; Bil-Mar Foods, Inc., (Turkey processing and poultry feed) with 450 employees; Iowa Office Supply (business forms printing) with 85 employees; and Buena Vista Work Activity Center (aluminum can, glass bottle and paper recycling) with 80 employees.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Management has developed adequate policies, procedures, and training programs supporting nondiscrimination in lending and credit activities. The examiners' review of loan files and denials revealed no discriminatory lending practices, and no practices were noted which were intended to discourage loan applications. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and the Fair Housing Acts.

Loan-to-Deposit Ratio

A review of the bank's Consolidated Report of Condition for the previous four quarters revealed an average loan-to-deposit ratio of 93.41%. Management attributes the high loan-to-deposit ratio to the bank's willingness to originate loans of small dollar amounts and management's aggressive pursuance of loan originations of all types. The following chart lists the loan-to-deposit ratios of the bank's primary competitors within its assessment area, according to the McFadden American Financial Directory:

Loan-to-Deposit Ratios of Competitors				
Bank Name and Location	Assets	LTD Ratio Fall 1995	LTD Ratio Spring 1996	Average LTD Ratio
Citizens First National Bank of Storm Lake	\$150,841,000	52.35	52.67	52.51
Central Trust and Savings Bank Cherokee	\$33,460,000	71.15	66.69	68.92
First Federal Savings Bank of the Midwest Storm Lake	\$312,659,000	95.28	105.86	100.57
Security Trust & Savings Bank Storm Lake	\$58,841,000	51.61	48.65	50.13
Norwest Federal Savings Bank (a branch of Spencer, Iowa) Storm Lake	\$311,598,000	105.89	79.98	92.94

As the preceding chart illustrates, the bank's average loan-to-deposit ratio exceeds that of all but one of its primary competitors, First Federal Savings Bank of the Midwest, which is approximately six times larger than The Commercial Trust & Savings Bank. Based upon the bank's size, financial condition, competition and credit needs in the assessment area, the bank's loan-to-deposit ratio is considered to exceed the standards for satisfactory performance.

Lending in Assessment Area

A sample of the bank's originations for a six-month period ending July 31, 1996, was relied upon to determine the extent of lending within the assessment area. A review of this sample revealed that the bank originated a total of 544 loans of all types, of which 429 or 78.86% are from within the bank's assessment area. A review of the loan sample revealed the following geographic distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Real Estate	103	80	77.67
Agriculture	83	57	68.67
Commercial	86	76	88.37
Credit Cards	54	49	90.74
Single Payment	78	61	78.21
Installment	140	106	75.71
Totals	544	429	78.86

The highest percentage of lending within the assessment area is credit cards (90.74%), compared to agriculture loans (68.67%), with the smallest percentage. The high percentage of loans within the assessment area demonstrates the bank’s level of commitment to providing for the credit needs of the assessment area. The review of the six-month loan sample concluded that a substantial majority of the bank’s loans and other lending-related activities are in the assessment area; the level of lending exceeds the standards for satisfactory performance.

Lending Analysis based Upon Borrower Income and Size of Business

The bank does not regularly collect income information for approximately 70 percent of its lending customers, according to management. As a result, the monthly loan payment amount was used as a proxy to evaluate the distribution of the bank’s loan originations to low-, moderate-, middle-, and upper-income families, based upon payment amounts which are affordable to individuals within each of these income groups. As an example, installment loans with monthly payments less than 20 percent of the monthly non-metropolitan median income (\$244.00), are considered affordable for low-income borrowers. The review of the six month loan sample revealed the following distribution based on income, based upon the proxy:

LOAN TYPE	LOW-INCOME \$/Number	MODERATE-INCOME \$/Number	MIDDLE-INCOME \$/Number	UPPER-INCOME \$/Number
Equity Lines of Credit	227,255/17	40,000/1	0/0	80,721/1
Real Estate (1-4 Family)	555,185/23	336,355/8	287,458/4	1,130,885/7
Installment	316,554/72	263,767/24	118,807/7	43,500/3

Totals	1,098,994/112	640,122/33	406,265/11	1,255,106/11
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As indicated in the preceding chart, 67.06%, 19.76%, 6.59%, and 6.59% of total number of loans were to low, moderate, middle, and upper-income individuals, respectively. The chart also indicates that 32.32%, 18.82%, 11.95%, and 36.91% of the dollar value of loan originations were to low, moderate, middle, and upper-income individuals, respectively.

A six-month sample of commercial and agricultural loans was also reviewed. The bank originated a total of 76 commercial and 57 agricultural loans in its assessment area, totaling \$4.2 million and \$3.6 million, respectively. The dollar amount of these loans ranged from \$1,000 to \$607,583, and based upon discussions with management, none of the loans were originated to businesses or farms with gross annual revenues in excess of \$1 million. In addition, the bank is an approved Small Business Administration (SBA) lender and also participates in the Farmers Home Administration loan program. Based upon information provided by the bank, 24 or 18.05% of total commercial and agriculture loans totaling \$3.8 million (48.72%), were originated through the SBA program. A total of 24 lines of credit for agricultural purposes, 11.28% of total commercial and agriculture loans, totaling \$1.3 million (16.67%), were originated through the Farmers Home Administration loan program.

The review of the six-month loan sample revealed that the penetration among individuals of different income levels and businesses and farms of different sizes exceeds the standards for satisfactory performance.

Geographic Distribution of Loans

There are no low- or moderate-income geographies within the bank's assessment area; therefore, analysis of loan distribution within geographies is not meaningful.

Response to Substantiated Complaints

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