

## **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 **Templeton Savings Bank, Templeton, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **May 28, 1996**. 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.

Templeton Savings Bank generally encourages economic revitalization and growth through its efforts to provide credit consistent with its size, financial capacity, location, and needs of its assessment area. The bank's loan-to-deposit ratio is considered strong. A significant majority of loans are originated within the bank's assessment area and are reasonably disbursed geographically and among applicants of varying income levels and businesses of different sizes. Management has developed adequate policies and procedures to comply with fair lending laws and regulations. The board of directors and senior management are advised to review the comments under each performance criterion.

The following table indicates the performance level of **Templeton Savings Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	TEMPLETON 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		X	
Response to Complaints	No complaints were received since the previous examination.		

## **DESCRIPTION OF INSTITUTION**

Templeton Savings Bank, with total assets of \$35.6 million as of March 31, 1996, is located in Carroll County, Iowa, approximately 85 miles west of Des Moines. Since the previous examination the bank has expanded its sole office in Templeton and installed an automatic teller machine (ATM) on the premises. The bank offers general deposit products and services, as well as installment, single payment, real estate, agricultural, and commercial loan products. Loans to finance agricultural production, the predominant credit product of the bank, accounts for nearly 50% of the loan portfolio. There are no factors limiting the bank's ability to meet the credit needs of its assessment area.

The bank's competitors are Carroll County State Bank, in Carroll, Iowa; Commercial Savings Bank, in Carroll, Iowa; Audubon State Bank, in Audubon, Iowa; and First National Bank, in Manning, Iowa.

## **DESCRIPTION OF THE BANK-S ASSESSMENT AREA**

The bank's assessment area includes Audubon, Carroll, Crawford, and Guthrie Counties in their entirety. These counties consist of 17 block numbering areas (BNAs), all of which are middle income level, with the exception of BNA 9703 in Audubon County, which is a moderate income level BNA.

The assessment area is largely agricultural, and incorporates numerous small communities in addition to the larger cities of Carroll (population 9,579) and Denison (population 6,604). The area's employment and economic growth are based primarily on the agricultural industry. Major employers in the area include: Ag Processing, Inc., Manning; Pella Corporation, Carroll; and General Electric Company, Carroll.

According to the 1990 U.S. Census, the population in the assessment area is 56,467, with minority residents comprising 0.9% of the total population. There are no designated minority areas in or around the bank's assessment area. The median family income of the assessment area is \$27,211. Of the 15,576 families in the assessment area, 19.5% are designated as low-income families and 20.0% are designated as moderate-income families. The median age of housing stock is 55 years and is 67.4% owner-occupied. Discussions with community contacts indicate that the assessment area is in need of housing, due to population increases spurred by industry expansion in the area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Management has developed adequate policies, procedures, and training programs to support fair lending activities. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations including the Equal Credit Opportunity and Fair Housing Acts.

**Loan-to-Deposit Ratio**

A review of the bank's Consolidated Report of Condition for the previous six quarters revealed an average loan-to-deposit (LTD) ratio of 73.04%. According to the Uniform Bank Performance Report dated December 31, 1995, the bank's loan-to-deposit ratio significantly exceeded its peers' ratio of 60.22%.

The following chart illustrates the 1995 loan-to-deposit ratio comparison between the bank and its primary competitors within its assessment area, according to the *McFadden American Financial Directory*:

<b>Loan-to-Deposit Ratios of Competition</b>				
<b>Bank Name and Location</b>	<b>Asset Size (in thousands)</b>	<b>LTD Ratio Spring 1995</b>	<b>LTD Ratio Fall 1995</b>	<b>Average LTD Ratio</b>
Carroll County State Bank Carroll	\$79,018	57.24%	62.27%	59.76%
Commercial Savings Bank Carroll	\$68,966	50.93%	50.06%	50.50%
Audubon State Bank Audubon	\$49,299	56.31%	58.86%	57.59%
First National Bank Manning	\$40,321	59.77%	62.36%	61.07%
<b>Templeton Savings Bank Templeton</b>	<b>\$32,570</b>	<b>70.01%</b>	<b>78.14%</b>	<b>74.08%</b>

Considering the bank's size and financial condition, as well as the credit needs of the assessment area, the bank exceeds the standards for satisfactory performance.

**Lending in Assessment Area**

A sample of originated loans was reviewed to evaluate the bank's lending performance within its assessment area. The following chart summarizes the geographic distribution of the sample:

LOAN TYPE	TOTAL SAMPLED	WITHIN ASSESSMENT AREA	PERCENT OF TOTAL
Commercial/Agricultural	21	21	100%
Single Payment	15	14	93.3%
Installment	10	8	80%
Real Estate	10	10	100%
Total Approved Loans	56	53	94.6%

As the above chart illustrates, 94.6% of the applications approved by the bank were within the assessment area. In addition, the bank performed a geographic analysis of consumer and commercial loans with outstanding balances. This analysis revealed that approximately 91.8% of outstanding loans are within the assessment area. The bank's efforts exceed the standard for satisfactory performance.

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

A sample of real estate loans originated since the previous examination and a sample of ten consumer installment loans were analyzed to determine the distribution of loans among borrowers of different income levels. The bank does not collect income information for installment loans; therefore a proxy, using loan amount, was substituted. The following table illustrates the results of the analysis:

LOAN TYPE	LOW-INCOME \$/Number	MODERATE-INCOME \$/Number	MIDDLE-INCOME \$/Number	UPPER-INCOME \$/Number
Real Estate	94,500/2	188,550/6	392,100/10	283,300/9
Installment	48,378/8	22,266/2	0/0	0/0
Total Originations	142,878/10	210,816/8	392,100/10	283,300/9

The dollar amount and number of loans within each income level for installment loans represent loan originations where applicants would qualify under each income level based upon the median income for the assessment area. As illustrated above, 27.03% (ten) of the loans in the sample were originated to low-income individuals and 21.62% (eight) were to moderate-income individuals.

To determine the bank's performance in lending to businesses of different sizes, commercial and

agricultural loan originations since the previous examination were reviewed. In addition to numerous renewals, the bank originated 16 loans to small farms and small businesses since the previous examination. As defined in the Consolidated Report of Condition, small farm loans are those with original amounts of \$500,000 or less, and small business loans are those of \$1,000,000 or less. The 16 originations reviewed ranged in loan amount from \$48,000 to \$230,000.

The bank's loan penetration among borrowers of different incomes and businesses of different sizes meet the standards for satisfactory performance.

### **Geographic Distribution of Loans**

A review of outstanding loans revealed that a substantial majority of the loans were originated within the assessment area. Of the 17 BNAs in the assessment area, the five BNAs in Crawford County and the three BNAs in Guthrie County combined accounted for less than one percent of the bank's total lending. Further review and discussions with management revealed that the areas with little activity are the furthest from the bank office; as a result, residents in these areas utilize the services offered by local financial institutions. The bank's geographic distribution is considered satisfactory.

### **Response to Substantiated Complaints**

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