

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 **First American Bank, Webster City, Iowa**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **August 12, 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 **Satisfactory**.

First American Bank's performance is deemed to be satisfactory based on the following factors: a reasonable loan-to-deposit ratio; a strong level of lending within its assessment area, and a strong performance of lending to businesses and farms of different sizes, and to borrowers of different income levels.

The following table indicates the performance level of **First American Bank, Webster City, Iowa**, with respect to each of the five performance criteria:

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST AMERICAN 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	No low- or moderate-income geographies were within the assessment area.		
Response to Complaints	No complaints were received since the previous examination.		

DESCRIPTION OF INSTITUTION

First American Bank, with total assets of \$87.4 million as of June 30, 1996, is a wholly-owned subsidiary of First American Bank Group, Ltd., a four-bank holding company. The bank's main office (including one ATM) is in Webster City, Iowa, the county seat of Hamilton County, approximately 75 miles north of Des Moines, Iowa. The bank offers consumer, real estate, installment, and single-payment loans, as well as commercial and agricultural loans. There are no apparent factors relating to the bank's financial condition and size, products offered, prior performance, legal impediments, or local economic conditions that would prevent the bank from meeting the various community credit needs. The bank's primary competitors include: First State Bank, with offices in Stanhope and Webster City; Webster City Federal Savings Bank; and Peoples Credit Union. Farm Credit Services also provides agricultural lending competition.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank has defined its assessment area as the five BNAs which comprise Hamilton County. The assessment area consists of whole geographies and includes the location of the bank's main office. All five BNAs within the bank's assessment area are middle-income; there are no designated low- or moderate-income areas within the bank's assessment area. The area has a median family income of \$31,069, which is slightly higher than the State of Iowa nonmetropolitan average median family income of \$29,303. Approximately 41% of the families in the assessment area are upper-income, 27% are middle-income, 19% are moderate-income and 13% are low-income.

Webster City's population of 7,894 represents 49.1% of Hamilton County's total population of 16,071, according to 1990 census data. The bank's customer base resides primarily in Webster City; other communities with populations greater than 500 residents include Jewell (1,106) and Stratford (715). Whites constitute the majority (15,844 or 98.6%) of the assessment area's population. Opportunities for new lending within Hamilton County are limited by an aging population, minimal migration of new residents to the county and a reduction in the number of small farm operations.

There are 6,879 housing units within the assessment area, of which 4,515 (65.6%) are owner-occupied; the median age of the housing stock is 55 years. Discussions with community representatives identified a continuing need for home improvement loans, as 50.1% or 3,447 housing units were built prior to 1950.

The economy of the bank's assessment area is primarily agricultural in nature, with corn and soybeans being the primary crops. Hamilton County's 1995 yields per acre for corn and soybeans were 145.5 bushels and 48.8 bushels, respectively, according to the Iowa Agricultural Statistics, reflecting a favorable growing season. The average value of an acre of farmland in Hamilton County increased by 7.1% to \$2,026 an acre, between 1994 and 1995, according to Iowa State University's annual farmland survey, reflecting strength in the farm economy.

Major employers in Webster City include: Frigidaire Company (laundry products) with 1,500 employees; Van Diest Supply Company (farm chemicals) with 400 employees; Tasler, Inc., (pallet manufacturer) with 160 employees; Webster City Custom Meats, Inc. (food products) with 95 employees and The Daily Freeman-Journal (newspaper) with 75 employees. Nonmanufacturing employers include the Webster City Community School System and the Hamilton County Public Hospital.

Unemployment rates for August, 1996 indicate strength in the local and statewide economy and improvement over figures from one year ago. The State of Iowa's seasonally-adjusted unemployment rate of 3.0% and Hamilton County's rate of 2.0%, compares favorably to the State of Iowa rate of 3.5% and the Hamilton County rate of 3.2%, one year ago.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

Loan-to-Deposit Ratio Analysis

The bank's average quarterly net loan-to-deposit ratio since the previous examination is 67.55%. The bank's June 30, 1996 consolidated report of income and condition revealed a net loan-to-deposit ratio of 72.45%. According to the March 31, 1996 Uniform Bank Performance Report (UBPR), the bank's net loan-to-deposit ratio was 66.65%, compared to 60.57% for its peer group.

Further evidence of bank lending is noted in the volume of loan participations sold to other financial institutions totaling \$6,976,000 during the quarter ending June 30, 1996. The bank's loan portfolio between December 31, 1994 and June 30, 1996 has remained stable at approximately \$56 million, while total deposits have decreased by \$6.3 million due to loss of deposits to uninsured investments offered by local brokerage firms. The bank's loan-to-deposit ratio is consistent with that of its peers, and meets the requirement for satisfactory performance.

The distribution of the bank's loan portfolio, by loan type, as of June 30, 1996, is as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000'S)	PERCENT OF TOTAL LOANS
REAL ESTATE		
Construction	1,189	2.10%
Multi-family	9,207	16.30%
Residential (1-4)	4,289	7.60%
Commercial	14,047	24.88%
Agricultural	5,858	10.37%
CONSUMER		
Open-end Credit	309	0.55%
All Other	2,307	4.09%
COMMERCIAL AND INDUSTRIAL	8,289	14.68%
AGRICULTURAL	9,096	16.11%
ALL OTHER LOANS	135	0.24%
LEASE RECEIVABLES	667	1.18%
MUNICIPAL OBLIGATIONS	1,074	1.90%
TOTAL	56,467	100.00%

The preceding table illustrates that agricultural and commercial loans represent 66.0% of the total loan portfolio.

The bank's performance compared to peer, as of the March 31, 1996 UBPR is illustrated in the following table:

LOAN TYPE	BANK AVERAGE LOAN MIX (%)	PEER AVERAGE LOAN MIX (%)
REAL ESTATE LOANS		
Construction/Development	0.99	1.23
1 - 4 Family Residential	7.08	27.16
Other Real Estate	52.97	21.08
Farmland	9.69	7.13
Multi-family	17.13	0.30
Commercial	26.14	11.12
TOTAL REAL ESTATE LOANS	61.04	52.76
LOANS TO INDIVIDUALS	4.29	14.98
CREDIT CARD LOANS	0.21	0.21
COMMERCIAL AND INDUSTRIAL LOANS	15.49	14.30
AGRICULTURAL LOANS	17.54	10.37
MUNICIPAL LOANS	1.34	0.26
OTHER LOANS*	0.10	0.15
*Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables		

As the preceding table illustrates, the bank's lending is concentrated in commercial and agricultural loans, including loans secured by real estate and loans for operating expenses.

The overall level of the bank's lending is consistent with its size, resources, and the lending opportunities and credit needs within the assessment area, and meets the standards for satisfactory performance.

Lending in the Assessment Area

A review of the examination loan sample revealed the following level of lending within the assessment area.

LOAN TYPE	TOTAL SAMPLED	WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Commercial/Agricultural	20	16	80.0%
Installment	16	12	75.0%
Single Payment	11	8	72.7%
Real Estate	10	8	80.0%
Home Equity	10	9	90.0%
Credit Cards	10	8	80.0%
Total Approved Loans	77	61	79.2%

As the preceding table illustrates, 79.2% of the sampled loans were made within the bank's assessment area. This compares favorably with the analysis of total lending during the six month period ending June 30, 1996, which indicated that 392 loans or 75.8% of lending was from within the assessment area.

The examination analysis of lending and a review of the examination loan sample revealed that a substantial majority of the bank's lending is within its assessment area. The overall level of lending within the assessment area exceeds the standard for satisfactory performance.

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

An analysis was made of the distribution of loans among borrowers of different income levels for all consumer and real estate loans originated between January 1, 1996, and June 30, 1996. Bank lending staff manually updated this listing to include the income level of borrowers (a new automated geographic and income level tracking system was implemented on June 1, 1996). The following table illustrates the results of an analysis utilizing this data:

LOAN TYPE	LOW-INCOME \$/Number	MODERATE-INCOME \$/Number	MIDDLE-INCOME \$/Number	UPPER-INCOME \$/Number
Consumer**	\$127,230/36	\$101,663/32	\$187,195/23	\$153,040/15
Real Estate	\$40,532/2	\$35,048/2	\$48,472/3	\$620,402/10
Total Originations	\$167,762/38	\$136,711/34	\$235,667/26	\$773,442/25
**Forty-nine consumer loans were paid off and eight loans had unknown incomes, and were not included in this analysis.				

The dollar amount and number of loans within each income level for consumer and real estate loans represent loan originations to individuals, based on the median family income for the assessment area. As the preceding table indicates, 68 or 64.2% of consumer loans made for which income was available, were made to low- and moderate-income borrowers. Low- and moderate-income lending represented 23.5% of total consumer real estate lending.

Additionally, the number of small dollar amount accommodation loans is significant; 20.9% of all personal loans made during the six months ending June 30, 1996 had original loan amounts of \$1,000 or less. Real estate and consumer lending evidences the bank's commitment to meeting the credit needs of all segments within its assessment area.

A review of the June 30, 1996 report of condition indicates the bank's performance in lending to businesses of different sizes. 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. Total outstanding loans to small business and small farm operations (557 loans totaling \$32,640,000) represent 87.53% of total outstanding agricultural and commercial loans. Of the 557 total outstanding small business and small farm loans reported; 433 or 77.7% were for original amounts of \$100,000 or less, further representing the bank's commitment to meet the needs of small business and small farm owners.

The bank continues to participate in Farmers Home Administration (FmHA) lending programs, evidencing the bank's commitment to small farming operations. The bank has made four loans totaling \$334,000 since the previous examination, with 16 loans totaling \$810,245 outstanding. The bank's loan penetration among businesses of different sizes, and borrowers of different incomes exceeds the standards for satisfactory performance, considering the local economy, the demographics of its assessment area and the bank's significant record of consumer lending and lending to small business and small farm owners.

Geographic Distribution of Loans

An analysis of the bank's geographic distribution of loans is not applicable as there are no low- or moderate-income BNA's within the assessment area.

Response to Complaints

No CRA-related complaints were received by the bank regarding CRA performance since the previous examination.