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## 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 **Glenwood State Bank, Glenwood, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **May 8, 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**.

The majority of bank's lending activity is within the assessment area and the geographic distribution of credit products reflects good dispersion throughout the assessment area. The distribution of loans to borrowers of different income levels, including low- or moderate-income individuals and business and farms of different sizes reflects reasonable penetration of the assessment area; however, an area of weakness was detected with regard to the bank's loan-to-deposit ratio.

The following table indicates the performance level of **Glenwood State Bank, Glenwood, Iowa** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	GLENWOOD STATE 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**

Glenwood State Bank, with total assets of \$79.1 million as of March 31, 1996, is a subsidiary of Glenwood Bancorporation, a one-bank holding company. The bank is located in Glenwood, Iowa in the southwestern portion of the state, approximately 23 miles southeast of Omaha, Nebraska. Glenwood is the county seat of Mills County.

The bank offers a wide range of credit services. Credit products include residential real estate, installment, single-payment, home improvement, credit card, commercial and agricultural loans. The bank participates in loan programs offered through the Small Business Administration (SBA), Farmers Home Administration (FmHA), and the Iowa Higher Education Loan Program (IHELP) and is an active participant in municipal financing. The bank is primarily an agricultural lender with almost 36% of its loan portfolio concentrated in agricultural purpose credit and farmland real estate loans. There are no apparent factors relating to the bank's financial condition and size, available credit products, prior performance, legal impediments or local economic conditions which would prevent the bank from meeting the various credit needs of its assessment area.

In addition to the main office, the bank operates branch offices in Glenwood, Mineola, and Pacific Junction, Iowa. The main office and the branch in Mineola are full-service facilities; office hours are reasonable and the facilities are accessible to the local community. The bank is in the process of expanding its service facilities to include the addition of a new drive-up facility at the main bank; two automated teller machines (ATM), increasing the total number of ATMs to three; and increasing the number of drive-up windows from four to seven. The work is scheduled for completion in July, 1996.

The bank's primary competitors include: Mills County State Bank, Glenwood, Iowa; a branch of First Federal Savings and Loan Association of Lincoln, Glenwood, Iowa; Malvern Trust and Savings Bank, Malvern, Iowa; and First State Bank, Tabor, Iowa. The bank also considers financial institutions located in Omaha, Nebraska and Council Bluffs, Iowa, as competitors.

**DESCRIPTION OF GLENWOOD STATE BANK'S ASSESSMENT AREA**

The bank's assessment area consists of five block numbering areas (BNA): 401.00, 402.00 and 403.00 in Mills County; 9702.00 in Fremont County; and 216.00 in Pottawattamie County. The local community is primarily agricultural in nature and many of the towns in the assessment area are bedroom communities to nearby Omaha, Nebraska and Council Bluffs, Iowa. The communities that are located in the assessment area are Treynor, Mineola, Silver City, Henderson, Glenwood, Sidney, Pacific Junction, Hastings, Emerson, Malvern and Tabor.

According to the Federal Reserve Bank's Community Lending Analysis System (CLAS), the total population in the assessment area is 21,517 residents, of which approximately one percent are

minorities. There are no low-income or moderate-income BNAs in the assessment area; however, 797 families (13.6%) are considered to be low-income and 1,025 families (17.5%) are considered moderate-income. The median family income of \$33,294 for the assessment area is slightly higher (5.2%) than the median for the State of Iowa (\$31,659).

The area's economy, which is primarily agricultural, is somewhat diversified. Area farmers grow corn and soybeans, and raise hogs. Other employment opportunities in the bank's community consists of public utilities, wholesale and retail trade, service and mining, and government agencies. According to the Iowa Department of Economic Development (IDED), as published in May 1996, large employers in the Glenwood community include Glenwood State Hospital School (handicap care) with 1,193 employees, Community Care (handicap care) with 201 employees, and the Glenwood School District (education) with 213 employees. Local residents also commute to the Omaha/Council Bluffs area for employment opportunities. The IDED data listed the Mill County unemployment rate at 2.9%. The CLAS data shows the assessment area's unemployment rate at 3.3% and the State of Iowa's unemployment rate as 4.5%.

The CLAS data indicated that there were 8,158 housing units in the assessment area; 5,767 were owner-occupied, 1,876 were rental units and 515 units were vacant. The median housing value was \$50,131 and the median gross rent was \$317. The development of new single-family housing in the Glenwood area is continuing; a local resident indicated that there is demand for new homes as the areas continues to grow. The existing housing stock is considered well maintained and includes mobile homes, apartments, Section 8 HUD housing, moderately-priced housing and expensive housing.

The bank's assessment area consists only of whole BNAs, contains all geographies where it has offices and consists of one or more contiguous political subdivisions. The assessment area meets the requirements of the regulation, does not reflect illegal discrimination and does not arbitrarily exclude any low-income or moderate-income areas.

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

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act.

### **Loan-to-Deposit Ratio**

The bank's average loan-to-deposit ratio for the six quarters which ended March 31, 1996 was 38.9%. This ratio is low and does not meet the standards for a satisfactory performance; however, based on lending activity since the previous examination, the ratio is not a concern at this time. The loan portfolio increased by 18.4%, from \$21.5 million to \$25.4 million, since the previous examination (June 30, 1994 call report). Also, construction loans increased by 111.0% from \$884 thousand to \$1.9 million; residential real estate loans increased by \$3.0 million, from \$4.9 million to \$7.9 million or 61.7%, but the agricultural portfolio decreased from \$7.5 million to

\$6.3 million. According to the December 31, 1995 Uniform Bank Performance Report (UBPR), the average ratio for the bank's national peer group was 67.4%.

Management attributed the low loan-to-deposit ratio, in part, to the fact that approximately \$4.7 million in long-term mortgage loans were referred to PHH-USS Mortgage Company because of the bank's strategy to not hold mortgages with greater than five year maturities in its portfolio; an additional \$277,880 in student loans were sold in the secondary market; and local competition. In spite of the low loan-to-deposit ratio, the bank is meeting the demand for small dollar amount loans; the bank made over 1,400 loans in amounts of \$750 or less since the previous examination.

### **Lending in Assessment Area**

A review of the bank's loan activity since the previous examination was accomplished by analyzing a sample of loan originations within the assessment area.

A review of the CRA loan sample revealed the following geographic distribution:

<b>LOAN TYPE</b>	<b>TOTAL SAMPLED</b>	<b>WITHIN THE LOCAL DELINEATED COMMUNITY</b>	<b>% OF TOTAL</b>
Commercial	78	75	96%
Installment	28	19	68%
Single Payment	20	15	75%
Real Estate	20	17	85%
Credit card	10	10	100%
Total	156	136	87%

The CRA loan sample supports the fact that the majority of the bank's loan activity is within the assessment area and that applications are accepted from all areas of the local community. Based on this review and discussions with management, the bank exceeds the standards for satisfactory performance regarding loan activity within the assessment area.

### **Lending to Borrowers of Different Incomes and Farms of Different Sizes**

An analysis of the bank's agricultural loan portfolio conducted to determine if loans are being made to both large and small farms revealed that the bank made 399 agricultural loans. The CRA

sample consisted of 78 loans and the average loan amount was \$25,218; only three loans in the sample were in amounts greater than \$100,000, which would indicate that loans were made to small farms.

Forty-four of the 78 loan files contained information relating to revenue. The review of these files revealed that 19 loans (43%) were made to farms with annual revenues up to \$100,000, 13 loans (30%) were made to farms with revenues between \$100,001 and \$150,000, seven loans or 16% were made to farms with revenues between \$150,001 and \$200,000 and five loans or 11% were made to farms with greater than \$200,000 in annual revenue. According to management, the average revenue for farms in the assessment area is approximately \$125,000. The majority of the loans were to farms earning less than the average revenue.

The bank made 1,411 consumer loans totaling \$612,603 since the previous examination; these loans were in amounts of \$750 or less and the average loan size was \$434. To help meet community credit needs, the bank participated in several government lending programs since the previous examination. During the review period, the bank made 11 loans totaling \$419,675 through the Farmers Home Administration (FmHA), two loans totaling \$50,000 through the Small Business Administration (SBA) and 159 student loans totaling \$277,880.

The bank's loans are widely distributed throughout the assessment area and no irregular lending patterns were detected.

### **Geographic Distribution of Loans**

According to the information provided in the CLAS data, there are no low-income or moderate-income BNAs in the assessment area. While, there are no areas in the local community without loan activity, the majority of loans are located around the bank's offices. The geographic distribution of lending activity reflects reasonable dispersion throughout the assessment area.

### **Response to Substantiated Complaints**

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