
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-income or 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 **Security Savings Bank, Farnhamville, Iowa**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 12, 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 bank's CRA performance meets expectations in meeting the community's credit needs and is consistent with its size, financial capacity, location and current credit needs of the assessment area. The bank's assessment area conforms to the requirements of CRA, and does not arbitrarily exclude any low or moderate-income areas that it would be reasonably expected to serve. The bank's loan-to-deposit ratio, level of lending to borrowers of different income levels and geographic distribution of lending activity are reasonable, while the bank's level of lending within the assessment area exceeds expectations. There was no evidence of discriminatory lending practices. No complaints were received by the institution regarding its CRA performance, since the previous examination.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	SECURITY 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

Security Savings Bank, with total assets of \$25.9 million as of December 31, 1995, has a main office in Farnhamville, Iowa, and two branch offices (one located in Harcourt and one in Lehigh). The bank offers deposit services and retail, commercial and agricultural loans. The main office is full-service, while the branches have a full-range of deposit services and a loan officer present once or twice a week. Loan applications are distributed at all offices, but are processed at the main office. There are no factors limiting the bank's ability to meet the credit needs of its assessment area.

The bank's main competitors include: The First State Bank of Gowrie, located in Gowrie; a branch of First Bank and Trust Company in Lohrville; Somers Savings Bank, located in Somers; and, a branch of First American State Bank, located in Dayton.

DESCRIPTION OF BANK-S ASSESSMENT AREA

The bank's main office is located in Farnhamville approximately 75 miles northwest of Des Moines. The assessment area is defined by three Block Numbering Areas (BNAs), which include portions of Calhoun and Webster Counties. BNA #9503 is located in Calhoun county, while BNAs #103 and 104 are located in Webster county. These BNAs encompass the municipalities of Farnhamville, Gowrie, Lohrville, Somers, Harcourt, Dayton, Lehigh, Otho, Callender, Lanyon, Knierim and Rinard. The bank's assessment area does not fall in a Metropolitan Statistical Area (MSA).

According to the 1990 U.S. census data, the population of the assessment area is 9,850. Minorities comprise less than one percent of the total population. The adjusted median family income for the assessment area is \$26,935, while the median family income for Calhoun and Webster Counties is \$27,911 and \$28,771, respectively. The total number of families in the assessment area is 2,799, which partially consists of 448 (16.0%) low-income families and 687 (24.5%) moderate-income families.

According to the Federal Reserve Board of Governors' Community Lending Analysis System (CLAS) information, the housing stock in the assessment area consists of 4,194 housing units, of which 2,706 or 64.5% are owner occupied and 1,433 or 27.3% are rental units. The median age of the housing stock is 56 years.

The area's employment, and economic growth and development is primarily based on the agricultural industry. Major employers in the area include: Farmers Co-op Company, Farnhamville; Consolidated Co-op Inc., Gowrie; and, Air-Electric Machine Co., Lohrville. According to the Iowa Department of Employment Services, the January, 1996 unemployment rate in Calhoun and Webster counties is 4.2%, while the January, 1995 unemployment rates were 4.1% and 4.8%, respectively. These are slightly higher than the State of Iowa unemployment rate of 3.4% and 3.3%, for January of 1996 and 1995, respectively.

Community contacts stated that several communities in the assessment area are experiencing a decline in population. The contacts feel that a program directed at first time home buyers may entice more people to purchase homes in the area, thus helping to stabilize the population. Overall the contact felt that the financial institutions in the area are doing an adequate job of meeting the credit needs of the community. The people in the area can obtain loans of any type, ranging from residential real estate, to small business/agricultural, to many types of consumer loans.

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

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The institution is in compliance the substantive provisions of anti discrimination laws and regulation, including the Equal Credit Opportunity Act and the Fair Housing Act.

Loan-to-Deposit Ratio

An analysis of the bank's Consolidated Report of Condition over the last seven quarters, beginning June 30, 1994, revealed an average loan-to-deposit ratio of 66.7%, which is considered adequate given the bank's size, financial condition, and assessment area credit needs. The ratio is commendable, considering that 26% of the bank's loans made since June 1, 1994, were in amounts less than \$1000. According to the Uniform Bank Performance Report (UBPR) dated December 31, 1995, the bank's average loan-to-deposit ratio was consistent with the peer group's loan-to-deposit ratio.

Lending in Assessment Area

The examination loan sample was reviewed regarding lending activity within the assessment area. The following table summarizes the geographic distribution of the loan sample:

Loan Type	Total Sampled	Within Assessment area	Percent of Total
Real Estate Mortgage	10	9	90
Installment (direct)	20	15	75
Single Payment	20	18	90
Credit Card	10	9	90
Overdraft Protection	1	1	100
Commercial/Ag	12	11	91.7
Total Approved	73	63	86.3
Denied Applications	24	19	79.2
TOTAL APPLICATIONS	97	82	84.4

Additionally, the bank performed a geographic analysis of consumer and commercial loans originated since June 1, 1994. The analysis revealed that approximately 80.4% of loans originated were within the bank's assessment area. The previous table as well as the bank's own analysis, indicates that a substantial majority of loans and applications are in the bank's assessment area.

Lending to Borrowers of Different Incomes

The examination loan sample, the bank's loan portfolio and information provided by management were reviewed to assess the bank's performance in lending to individuals and businesses of different income levels. In addition, loan size was used as a proxy for income of the borrower(s).

A review of loans originated since June 1, 1994 revealed that 26% were in amounts less than \$1,000. The average loan amount of the consumer and commercial/agricultural loans in the examination loan sample was approximately \$8,687 and \$29,437, respectively. The average loan amount for each consumer loan product in the examination loan sample was approximately \$26,050 for real estate loans, \$2,856 for single payment loans, and \$5,837 for installment loans. The examination loan sample and the bank's data revealed that the distribution of lending to individuals, and businesses and farms of different incomes is in accordance with the markets' demographics and is considered reasonable.

Geographic Distribution of Loans

The loans originated since June 1, 1994, are evenly distributed throughout the assessment area. A greater number of loans are concentrated around the municipalities, with towns having larger populations containing a larger number of loans. The towns of Farnhamville, Gowrie and Lohrville, contain 81.5% of the loans originated. The eastern portion of the assessment area does not have a large number of loans, due to the fact that the bank opened two branches, located in Harcourt and Lehigh, in October of 1995. With the opening of the two branches, loan volume in these areas is expected to increase.

Response to Substantiated Complaints

No complaints were received since the previous examination.