
GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Security Bank, Marshalltown, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency.

The evaluation represents the agency's current assessment and rating of the institution's CRA performance based on an examination conducted as of **April 29, 1996**. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U. S. C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

ASSIGNMENT OF RATING

Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

This institution is rated **Outstanding record of meeting community credit needs** based on the findings presented below.

REGULATION BB - COMMUNITY REINVESTMENT ACT

COMMUNITY PROFILE

The bank's main office is located in Marshalltown, the county seat of Marshall County. The bank's delineated community includes all or portions of five contiguous counties, and consists of four separate communities. These communities surround the bank's seven facilities located in Marshalltown, Laurel, Gladbrook, Prairie City, Eldora and Steamboat Rock.

The first of the four communities is a rectangularly shaped area, 20 miles long and 16 miles wide at its widest point, with the City of Marshalltown in the upper right portion of the area; the second community is a rectangularly shaped area seven miles wide and 9 miles long, with Gladbrook at its center; the third community is a square, with Eldora as its center; and the final community is a rectangle, 11 miles wide and 12 miles long, with Prairie City in the upper center portion of the area.

The four communities are more precisely defined as the following:

- a) The City of Marshalltown;
- b) All or part of Iowa, Liscomb, Vienna, Taylor, Marietta, Marion, Washington, Timber Creek, LeGrand, Logan, Jefferson and Greencastle Townships, in Marshall County;
- c) All or part of Malaka, Mariposa, Hickory Grove, Washington, Mount Prairie, Des Moines, and Fairview Townships, in Jasper County;
- d) All or part of Red Rock West and Red Rock East Townships in Marion County;
- e) All or part of Lincoln, Grant, Spring Creek, and Crystal Townships in Tama County; and
- f) All or part of Jackson, Clay, Pleasant, and Eldora Townships in Hardin County.

On June 20, 1995, the community surrounding the Prairie City facility in Jasper County was expanded as a result of the bank's geographic lending analysis which indicated a number of loans extended within a previously excluded small southwestern area. All or part of 19 Block Numbering Areas (BNAs) comprise the bank's communities. According to 1990 U.S. census data, 15 BNAs are considered middle-income and four are upper-income. There are no BNAs identified as low- or moderate-income. The following chart indicates the income distribution by

number of families in the delineation in comparison to the totals for each county and the State of Iowa. The second chart describes the income distribution for each range of the population within the delineated community, by race.

GEOGRAPHY	Total Families	Median Family Income	% Low-Income	% Moderate-Income	% Middle-Income	% Upper-Income
Delineated Community	19,969	\$32,562	13.0	17.2	24.8	45.0
Hardin County	5,312	\$28,539	16.7	20.7	27.6	35.0
Jasper County	9,965	\$32,930	11.9	16.4	25.8	45.9
Marion County	7,951	\$31,997	13.7	14.9	28.5	42.9
Marshall County	10,624	\$34,495	12.4	16.2	22.7	48.7
Tama County	4,922	\$28,659	17.7	19.5	27.3	35.5
State of Iowa	431,664	\$29,303	17.5	19.2	25.8	37.5

GEOGRAPHY	Total Households	% White	% Black	% Asian	% American Indian	% Other
Delineated Community	27,500	99.10	0.38	0.21	0.13	0.18
Low-Income	4,828	99.02	0.35	0.19	0.19	0.25
Moderate-Income	4,241	98.99	0.38	0.18	0.07	0.38
Middle-Income	5,464	98.70	0.48	0.31	0.20	0.31
Upper-Income	12,967	99.33	0.35	0.18	0.11	0.03

This data reveals that the community is approximately 99% White, and that Blacks comprise the predominant low- and moderate-income households.

The population of the bank’s community is 70,880, of which 98.2% is White, 0.4% is Black, 0.5% is Asian, 0.6% is Hispanic, 0.3% is American Indian and 0.3% represent all others. Only Tama County exceeds 1% in any minority category; 4.9% American Indian which is attributed to the presence of the Mesquaki Indian Settlement, located outside the bank’s delineation. Although of minor significance, the demographics of Hardin County includes the State Training (Correctional) School for Youths, with approximately 300 residents.

Of the 29,488 housing units located in the community, 68.1% are owner-occupied, 24.8% are renter-occupied, and 7.1% are vacant. The median age of housing stock in the community is 38 years, the median rent is \$311, and the median housing value is \$40,608. Using an affordable housing ratio developed by dividing the median income by the median home value for each county, the affordability ratio is most favorable in Hardin and Tama Counties, least favorable in

Marion and Marshall Counties while Jasper County remains average.

The primary employers in the five county area include:

PRIMARY EMPLOYERS WITHIN DELINEATION				
City	County	Employer	Industry	Number of Employees
Marshalltown	Marshall	Monfort	Pork Processing	1,610
Marshalltown	Marshall	Fisher Controls	Valves and instruments	1,460
Marshalltown	Marshall	Iowa Veterans Home	Retirement facility	900
Marshalltown	Marshall	Lennox Industries	Air Conditioning and heating	600
Marshalltown	Marshall	MSP Resources	Pork Processing	470
Knoxville	Marion	3M Company	Industrial Tapes	600
Pella	Marion	Vermeer Manufacturing Company	Concrete/stump cutters	2,000
Pella	Marion	Pella Corporation	Windows, doors	2,500
Tama	Tama	Tama Meat Packing	Beef by-products	450
Iowa Falls	Hardin	Boyt Company	Leather luggage	300
Eldora	Hardin	Iowa State School	Correctional facility	200
Eldora	Hardin	Dodger Manufacturing	Athletic clothing	170
Eldora	Hardin	Dayco Products, Inc.	Metal machines	140
Newton	Jasper	Maytag	Washers/dryers	3,000

In addition, a number of smaller manufacturing, and seasonal or agriculturally-related employers are situated throughout the community. Area restaurant and lodging businesses benefit from the casino gambling facility at the nearby Mesquaki Indian Settlement in Tama County. Major agricultural production in the rural areas of the community include crops such as corn and soybeans and livestock such as cattle and hogs.

According to the State of Iowa Department of Employment Services, March, 1996 unemployment figures for counties within the community were as follows:

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GEOGRAPHY	March, 1996	March, 1995
Hardin County	4.6	5.2
Jasper County	4.3	4.1
Marion County	3.7	4.1
Marshall County	4.2	3.2
Tama County	5.8	4.9
State of Iowa	3.3	3.5

BANK PROFILE

Security Bank, with total assets of \$325 million as of December 31, 1995, is a subsidiary of BancSecurity Corporation, a multi-bank holding company located in Marshalltown, Iowa. The bank is the largest financial institution based in the five-county area. The bank is also a major local employer, with approximately 200 employees. The bank offers a complete line of credit products, including commercial, consumer, agriculture and real estate loans, as well as credit cards, home equity and other credit lines.

The bank has seven facilities, of which six are full-service. The main bank and one facility are located in Marshalltown, at 11 North First Avenue and 3 East Southridge Road, respectively. Since the previous examination, an expansion of the 3 East Southridge Road facility has been completed which added private lending offices. Additionally, full-service facilities are located in Eldora, Gladbrook, Laurel and Prairie City. The Steamboat Rock facility provides deposit services, referring loan applications to the Eldora Office.

The bank's competition includes Brenton Bank and Trust Company; Marshalltown Savings Bank, FSB; Mercantile Banks of Marshalltown and Newton; and various local banks and credit unions. Competition in outlying communities includes: Mid Iowa Savings Bank, FSB in Prairie City and Newton; Citizens Savings Bank in LeGrand; and Hardin County Savings Bank in Eldora.

ASSESSMENT OF RECORD

I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor (a) - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

Regulatory Expectation

The Statement of the Federal Financial Supervisory Agencies regarding the Community Reinvestment Act (Policy Statement) indicates that an effective CRA process must include methods to ascertain community credit needs on an ongoing basis through outreach efforts to local governments, businesses, and community members and organizations. This

ascertainment effort should include a system that facilitates dialogue with these individuals and groups and enables them to communicate their concerns to an officer of the financial institution.

Scope and Findings

The bank's activities and methods used to ascertain community credit needs and efforts to communicate with representatives of the community regarding those needs were reviewed.

These activities included customer surveys, the personal involvement of the board of directors, officers and staff with local groups and organizations, and an informal outside calling program. The bank's response to identified credit needs was also reviewed through discussions with bank management, a review of lending initiatives and interviews with leaders from within the bank's communities.

The bank conducted four customer surveys, one each in Gladbrook, Eldora and Laurel in the summer of 1994, while the Prairie City facility survey was done in the fall. In each survey, respondents were requested to grade the staff on courteousness and familiarity with bank products and services, competitiveness of interest rates and convenience of banking locations and hours. Each respondent was also requested to indicate what products or services they would like to see the bank offer, in addition to their need for any specific product or service. Respondents were very complimentary in rating the bank in each category, and all comments were favorable. The request to indicate specific needs relative to products and services generated several requests for loans and other services. There were no comments received which indicated a need to expand or adjust the type of services offered by the bank. One particular comment was received which indicated that the tenure of bank staff was important to area residents.

Another survey, the **AMoney Tree Survey**[®], was conducted which involved staff members from area schools. Local educators were invited to work alongside bank staff in several areas of the bank for two weeks in order to enhance their ability to convey information to students regarding banking services. Mathematics, language arts and computer skilled teachers were selected to participate in the program.

As part of the program, educators assisted in a **AMoney Tree**[®] survey involving both non-customers and customers of the bank. A data base was developed using the Marshalltown City Directory. Every 100th name was selected to comprise a base of 1,200 names. Monthly, 100 surveys were mailed to area residents represented in the data base. The final mailing was completed during the scope of this examination, on May 1, 1996. Respondents were given a \$2.00 bill for completing and returning a questionnaire, either in person or by return mail. One half of the total response (those received through December, 1995) were reviewed during this examination. In response to questions regarding consumer perception, the bank received high marks regarding locations, personnel, quality of service, and community involvement, although somewhat less so regarding service charges and rates. In response to requests for credit needs, auto loans ranked first, with credit cards, home mortgages, and consumer, home improvement and business loans mentioned less frequently. Non-customers indicated less credit needs than

customers. Respondents noted that future credit needs could be met by the bank's existing products.

The bank also maintains contact with representatives of groups and organizations located throughout the community as bank staff voluntarily participate with and provide leadership within these groups. The following list is representative of the groups and organizations throughout the bank's communities, where the personal involvement of bank staff has been helpful in the ascertainment of local credit needs:

Marshalltown City Chapter National Management Association
Marshalltown Chamber of Commerce
Marshalltown City Housing Committee
Marshall County Habitat for Humanity
Gladbrook Young Women
Tama County Pork Producers
Iowa Society of Pork Producers
Farm Bureau
Board of Realtors
Agriculture Extension Council
Steamboat Rock Housing Committee
Hardin County Housing
Marshalltown Central Business District
Prairie City Economic Development Commission
Prairie City Business Association
Eldora Industrial Development Corporation
Eldora Area Chamber & Development Council
City of Prairie City
Laurel Community Chest
Iowa Business Growth Company
St. Henrys Parish Council
Iowa Commission on Latino Affairs

In addition, the bank employs a full-time business development officer who makes outside calls in the community to identify credit needs and solicit business for the bank. Other bank officers, including branch managers, regularly call on area business owners, realtors and organizations. A sample of 949 calls conducted since the previous examination was reviewed; approximately 90% of the calls were with area businesses, dealers and realtors. Additionally, 2.8% were to targeted groups and organizations, 3.6% were with area farmers and 2.3% were visits to new businesses or non-bank customers. The balance of the calls were conducted with area contractors and builders. The call program appears consistent with the bank's customer base, the potential for new customers available within the community, and with those groups who are knowledgeable of credit needs.

A review of a sample of calls supported management's statement that this activity has been productive in identifying specific credit needs. For example, in August of 1994, the bank contacted a local medical clinic regarding its customers' credit needs. Through discussions with the business manager, the bank identified a need to finance surgeries and subsequently developed an appropriate loan program. Since the previous examination, the bank has made four loans (totaling \$6,412), to customers of the clinic.

The bank has also developed a pre-qualification program for real estate loans to assist homebuyers and realtors by improving the processing time for home purchase loans. This program was developed in response to information obtained during discussions with area realtors. The bank has also identified a continuing need for low-income housing within the community, as a result of its ascertainment activities, which is discussed under Assessment Factor (h).

Conclusions

The bank's ascertainment program utilizes a variety of methods, includes a significant number and type of contacts within the community, and appears to be a thorough and efficient means of providing the bank with significant information relative to current credit needs. The bank responds to information received through this process in a timely manner with appropriate credit products and services to meet changing community credit needs. Since the previous examination, ascertainment activities have been expanded consistent with the changes in the delineated community. These activities serve as an effective and informative means of communication with representatives of the entire community.

Assessment Factor (c) - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

Regulatory Expectation

The Policy Statement states that banks are encouraged to develop a CRA plan to ensure an affirmative effort on the part of the bank to comply with the Act. It further states that the duty to coordinate and monitor the CRA process should be assigned to a senior officer or a committee charged with the responsibility to report periodically to the board of directors about the bank's CRA efforts, performance, and areas for improvement, where appropriate. An employee training program should be established which addresses information about those policies of the bank designed to help meet community credit needs including the needs of low- and moderate-income areas and small businesses. Procedures should be implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments.

Regardless of how the bank organizes itself to implement its CRA plan, seeing that the institution has taken the steps necessary to help meet its community's credit needs is the responsibility of the entire organization, beginning with its board of directors and continuing through its line management. To be effective, a CRA plan must include methods to incorporate findings regarding community credit needs into the development of products and services that the bank decides to offer to help meet these needs.

The Policy Statement also states that the bank's CRA statement should accurately reflect the types of lending and other services that the bank is willing to offer to the community. This statement must be reviewed at least annually to ensure its accuracy. The services that the bank chooses to offer should be clearly articulated and reasonably related to community needs.

Scope and Findings

The degree of participation by the board of directors regarding formulation of policy and oversight of the bank's performance was reviewed. Security Bank's CRA Policy; CRA Plan, CRA committee minutes; CRA annual self-assessment reports; CRA Public File; pertinent training activities; CRA Statements for the previous two years; and minutes of board of directors' meetings were reviewed.

The bank's CRA Policy is reviewed and adopted annually, with the most recent approval occurring on March 26, 1996. This policy articulates the bank's commitment to CRA and details how it should be carried out. According to the policy, the bank's CRA program is implemented through a CRA Plan, which articulates objectives and activities designed to implement the policy. In each segment of the plan, specific ongoing responsibilities and methods of accomplishment are detailed. The board of directors has designated a senior officer as the bank's CRA Officer who is responsible for ensuring that the Plan is properly administered and for chairing the CRA committee. The CRA committee meets on a quarterly basis; however, the CRA Officer provides monthly status reports to the board which summarize CRA efforts and activities. The CRA Officer also provides analyses and visual geographic distribution portrayals of loan performance, comparisons of loan volume to targeted goals by income range and product, details results of second review of denials, and summarizes training activity.

At the March 26, 1996 meeting, a presentation to the board included modifications to the CRA Statement noting expanded real estate loan products offered to the community. The bank added the State of Iowa Mortgage Credit Certificate Program for first time homebuyers and low- and moderate-income housing assistance programs available through Federal Home Loan Bank grants and the Iowa Housing Assistance Program (IHAP).

The CRA committee is comprised of executive and senior management, branch managers and staff and monitors the bank's activities and performance. Members of the committee include several senior officers of the bank.

As part of its CRA program, the bank conducts an annual self-assessment of its performance. In the first quarter of each year, the CRA committee reviews the prior year's performance, with the most recent review completed on March 13, 1996. The results were subsequently presented to the full board of directors on March 26, 1996. This information keeps the board apprised concerning the bank's progress in attaining the goals and objectives of CRA, as prescribed by the board of directors in its CRA policy and annual CRA action plans.

The bank also publishes an internal circular titled "The Security Story", used to provide bank staff with information such as the availability of training programs and bank

activities.

Procedures have been implemented to ensure that files are maintained, as required by the regulation, for purposes of receiving public comments and for reviewing and responding to the comments. The bank's Public File, and current and previous CRA Statements were reviewed and found to be in compliance. There were no written concerns submitted by community residents, and all required information was contained within the file.

CRA training is incorporated into the bank's regular training program. The bank has appointed a full-time training officer. CRA orientation training sessions for new employees provide information regarding credit products and special lending initiatives, sensitivity training and overview of fair lending laws. On March 19, 1996, a presentation was made at a loan officers meeting to familiarize lenders with the Small Business Association (SBA) 504 Loan Program. This program, which provides 40% financing by the SBA to eligible small businesses was presented for the bank by Iowa Business Growth Company. In addition to these periodic sessions, bank training has included a video made available through Bankers Training and Consulting titled "Fair Lending Compliance: Its Good Business", which provides information relative to certain requirements of CRA. The compliance committee viewed the video on March 28, 1996 and the loan officers viewed it on April 9, 1996.

The board of directors reviews and approves the bank's CRA statement, at least annually, to ensure its accuracy, as evidenced by the March 26, 1996, board meeting minutes.

Conclusions

Board participation in the CRA process remains strong. A CRA policy adopted by the board, implements a CRA Action Plan, which is administered by the CRA Officer and CRA Committee. Minutes of the board of directors and the CRA committee meetings reflect significant activity and communication between bank staff and the board of directors. A self-assessment is done on an annual basis which reviews the bank's CRA performance with results reported to the board. Visual depictions of the geographic distribution of lending results are continuously updated and incorporated into reporting procedures. Periodic training for CRA and fair lending has been incorporated into the bank's regular training program. The bank's CRA Statement and public file are in compliance with the requirements of the Act.

II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor (b) - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

Regulatory Expectation

The Policy Statement indicates that an effective CRA plan should include marketing and advertising programs for lending

products and services that are responsive to the needs of the community and that will inform and stimulate awareness of those products and services throughout the community, including low- and moderate-income areas.

Scope and Findings

The bank's marketing and advertising efforts, including newspaper, television, radio and other means were reviewed. The results of discussions with community representatives were also reviewed to determine the level of awareness of bank products and services created through the bank's marketing efforts within the community.

The bank markets its products and services using the following print media:

NAME OF PUBLICATION	FREQUENCY OF PUBLICATION	CIRCULATION	GEOGRAPHIC COVERAGE
Marshalltown Times Republican	Monday - Friday Evening and Saturday and Sunday Morning	13,500	City of Marshalltown and adjoining retail trade zone
Times Republican Plus (TR Plus)	Wednesday and Saturday	10,000 and 12,500, respectively	Same as Marshalltown Times Republican
Marshalltown Penny Saver	Wednesday and Saturday	22,148 and 18,954, respectively	Marshall County
Gladbrook Northern Sun Print	Weekly	1,300 (in Gladbrook, Garwin and Lincoln communities) and 750 (in Tama County)	Gladbrook, Garwin and Lincoln communities and Tama County
Eldora Herald Register	Twice Weekly	3,180	12 miles east, west and south, and 7 miles north of Eldora
Prairie City News	Weekly	1,100	Prairie City and immediate surrounding area including Monroe, Colfax, Runnells, Mitchellville and Altoona

The bank's print advertising uses the three primary Marshalltown publications listed above, and the primary print media in Eldora, Gladbrook and Prairie City. The use of these media in a coordinated marketing program provides coverage throughout the bank's entire community.

The following chart illustrates the distribution of bank advertising by type of product/service since the previous examination:

1994 MARKETING ANALYSIS (April to December)				

Print Media Advertisements	Loan Products	Deposit Services	Image/Generic	Trust Services
Marshalltown <u>Times Republican</u>	32%	6%	10%	52%
<u>Times Republican</u> Plus & Marshalltown Pennysaver	39%	46%	15%	N/A
Eldora <u>Herald Register</u>	58%	14%	28%	N/A
Gladbrook <u>Northern Sun Print</u>	77%	13%	10%	N/A
Prairie City <u>News</u>	60%	15%	25%	N/A
1995 MARKETING ANALYSIS				
Marshalltown <u>Times Republican</u>	26%	12%	14%	48%
<u>Times Republican</u> Plus & Marshalltown Pennysaver	31%	38%	31%	N/A
Eldora <u>Herald Register</u>	43%	20%	37%	N/A
Gladbrook <u>Northern Sun Print</u>	58%	23%	19%	N/A
Prairie City <u>News</u>	51%	21%	28%	N/A
1996 YTD MARKETING ANALYSIS				
Marshalltown <u>Times Republican</u>	38%	29%	21%	12%
<u>Times Republican</u> Plus & Marshalltown Pennysaver	30%	40%	20%	10%
Eldora <u>Herald Register</u>	29%	24%	41%	6%
Gladbrook <u>Northern Sun Print</u>	42%	42%	8%	8%
Prairie City <u>News</u>	38%	38%	24%	N/A

The above analysis shows a proactive effort to create an affirmative awareness in the community of bank products and services, using the major media available to ensure a geographic distribution throughout the community.

The bank placed a total of 1,124 print advertisements since the previous examination: 493 advertisements in 1994, 555 in 1995 and 76 year-to-date in 1996. The distribution of all credit-related newspaper advertisements by loan product was as follows:

TYPE OF CREDIT PRODUCT ADVERTISED								
NEWSPAPER	YEAR	Credit Cards	Home Mortgage*	Farm Loans	Home Equity	General Loans	Student Loans	Auto Loans
Marshalltown <u>Times Republican</u>	1994	38	8	0	23	8	23	0
	1995	39	32	0	11	0	0	18
	1996	29	71	0	0	0	0	0
TR Plus and Pennysaver	1994	14	27	0	26	19	14	0
	1995	30	60	0	10	0	0	0

	1996	0	50	25	0	25	0	0
Eldora	1994	25	50	0	0	0	13	12
	1995	60	27	0	13	0	0	0
	1996	67	33	0	0	0	0	0
Gladbrook	1994	50	17	0	0	0	33	0
	1995	46	46	0	8	0	0	0
	1996	100	0	0	0	0	0	0
Prairie City	1994	44	14	0	14	0	14	14
	1995	46	46	0	8	0	0	0
	1996	67	33	0	0	0	0	0
*Includes advertisements for affordable housing programs								

Advertising for 1996 in the Marshalltown Times Republican included five real estate loan product advertisements in Spanish. The bank placed advertisements for home loans in a Spanish publication, Vos de la Comunidad, that began publication in 1996. The bank also provides brochures in Spanish including: HUD Settlement Costs, Managing Your Checking Account, A Guide to Bank Services, and Your Credit Rights and Responsibilities. The bank also places advertisements in the Contact Journal, a minority publication written and published by a local minister. In addition, the bank employs two Spanish-speaking staff members who are available as interpreters for non-English speaking customers.

Radio spot advertisements are broadcast on radio stations KFJB-AM 1230, KDAO-AM 1190 and KDAO-FM 99.5 in Marshalltown. These radio stations broadcast within a 50 mile, and 30 mile radius of Marshalltown, respectively. The bank contracted for approximately 2,000 radio spots since the previous examination, with approximately 32% of all spots promoting credit-related products. These products included student loans, home equity lines, home mortgage loans, credit cards, and agricultural loans.

The AMoney Tree@Survey discussed under Assessment Factor (a) was also used as an opportunity to market bank products and services as the surveys were returned by handing out credit product brochures and discussing credit products with area consumers.

Since September, 1995, a full-time business development officer makes calls throughout the community. Since that date, the officer has been continuously marketing the bank's products and services, averaging approximately 40 calls per month in the community. A review of 949 sample calls conducted since the previous examination and documented by all calling officers of the bank revealed that approximately 90% were used as opportunities to market, promote or solicit applicants for the bank's lending programs.

Statement messages which market credit products are periodically included on approximately 18,000 statement accounts. Credit cards were marketed using statement messages in July, August and September of 1995, and the bank's new Visa Gold card was

marketed in September, October and November of 1995.

In May, 1995, the bank sponsored its annual City Wide New Car Sale, which was supported with local television spots, newspaper advertisements and direct mail to 4,000 area consumers. Direct mail has also been used to market credit cards, and in May of 1994 and 1995, the bank mailed congratulatory letters to approximately 750 graduating seniors which marketed student loans. Brochures, signs and a bank newsletter mailed to approximately 4,100 area residents also promote lending products and services. The bank made 37 car loans under this program.

The bank also encourages shopping at local businesses through lending promotions such as the Holly Day Bucks loan program. The Holly Day program was again promoted in November, 1995 and featured loans of \$500 to \$2,000 at 5% APR, with the proceeds to be spent at local businesses. The bank made 14 loans under this program.

On an annual basis, the bank participates in the local Marshalltown Home Show. This activity provides bank staff with opportunities to discuss bank products and services with members of the community. The most recent Home Show was held in March, 1996. At the show, bank staff distributed information regarding home equity, real estate, vehicle, MasterCard/Visa loans and deposit information. Names and telephone numbers of consumers requesting information concerning real estate, business and agriculture or consumer loans were followed-up by a call from a loan officer.

On a quarterly basis, the bank publishes *Security Notes*, a four page newsletter, with a circulation of approximately 4,100, distributed to customers and non-customers throughout central Iowa which provides information regarding loan services, new products, and information of financial interest.

Conclusions

The bank's marketing efforts are considered very effective. The bank places advertisements in the primary media serving its community, and supports this effort with a call program and targeted promotions to cross-sell products and services. The bank utilizes media which target minority interests within the community. Marketing of loan products and enhancement of its image as a proactive bank make up a significant portion of the bank's marketing efforts. Real estate loan products and small business loans are the primary credit products needed in the community, according to community leaders. The bank's total marketing effort has created sufficient community awareness of these and other bank products and services and has resulted in loans being made in the community.

Assessment Factor (I) - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

Scope and Findings

A review of the bank's December 31, 1995, Consolidated Report of Condition revealed a

loan-to-deposit ratio of 71.74%, and a loan-to-asset ratio of 58.58%. These ratios were above the March 31, 1994 ratios of 64.88% and 56.36%, respectively, as noted in the previous report of examination. The distribution by loan type was as follows:

LOAN TYPE	DOLLAR AMOUNT OUTSTANDING (000's)		PERCENT OF TOTAL LOANS	
	12/31/1995	3/31/1994	12/31/1995	3/31/1994
REAL ESTATE				
Construction	3,722	1,872	1.95	1.16
Agricultural	8,698	6,024	4.55	3.73
Home Equity	625	471	0.33	0.29
Residential (1-4)	68,432	49,201	35.81	30.44
Junior Liens	150	56	0.08	0.03
Multifamily	186	186	0.10	0.12
Commercial	23,165	7,059	12.12	4.37
AGRICULTURAL	11,777	14,633	6.16	9.05
COMMERCIAL/INDUSTRIAL	44,083	54,870	23.07	33.95
CONSUMER				
Open-end Credit	2,662	2,786	1.39	1.72
All Other	26,707	23,526	13.98	14.55
MUNICIPAL*	310	573	0.16	0.35
OTHER**	577	386	0.30	0.24
UNEARNED INCOME	(424)	(364)	N/A	N/A

Overall, total loans increased by \$29.4 million or 18.22%, since the previous examination. The bank experienced an increase of \$19.2 million or 39.08%, in outstanding residential 1-4 real estate loans. Construction and agricultural loans secured by real estate increased both in dollar amount and percentage of the total loan portfolio. All other consumer loans increased in dollar amount outstanding; however, their percentage of the total loan portfolio decreased.

Commercial/industrial loans decreased by \$10.7 million, and by 10.88% as a percentage of the total loan portfolio. Commercial loans secured by real estate increased by \$16.1 million, or by 228%, and increased by 7.75% as a percentage of the total loan portfolio. This represented a 8.58% net increase in the total commercial/industrial loan portfolio.

Loans have been sold since the previous examination to various investors, freeing up these funds to be reinvested in the local community.

The bank's portfolio, as detailed in the December 31, 1995 Uniform Bank Performance Report (UBPR) and as compared to peer is illustrated in the following chart. An additional comparison to the September 30, 1993 UBPR (noted in the previous report of

examination) is also included in the chart.

LOAN TYPE	BANK AVERAGE LOAN MIX (%)		PEER AVERAGE LOAN MIX (%)	
	December 31, 1995	September 30, 1993	December 31, 1995	September 30, 1993
REAL ESTATE LOANS				
Construction/Development	1.28	1.29	3.36	1.51
1 - 4 Family Residential	35.18	30.04	30.86	32.73
Home Equity	0.23	0.30	2.39	0.76
Other Real Estate Total	12.64	7.67	23.10	21.06
Farmland	4.36	4.21	0.61	3.16
Multi-family	0.08	0.15	1.34	0.63
Commercial	8.20	3.32	19.00	14.98
TOTAL REAL ESTATE LOANS	49.11	39.00	61.25	57.98
LOANS TO INDIVIDUALS	15.57	18.60	14.69	17.18
CREDIT CARD LOANS	1.43	2.07	0.76	0.53
COMMERCIAL & INDUSTRIAL LOANS	27.36	31.61	16.48	14.69
AGRICULTURAL LOANS	7.24	9.93	0.54	3.16
MUNICIPAL LOANS	0.35	0.55	0.55	0.73
LEASE FINANCING	0.01	0.10	0.01	0.00
OTHER LOANS*	0.37	0.21	0.35	0.23
* Excludes Financial Institution Loans, Acceptances of Other Banks, Foreign Office Loans and Leases, and Lease Financing Receivables				

BANK NET LOAN/LEASE TO DEPOSIT RATIO		PEER NET LOAN/LEASE TO DEPOSIT RATIO	
December 31, 1995	September 30, 1993	December 31, 1995	September 30, 1993
70.60%	59.95%	72.47%	64.70%

The bank's overall lending levels are consistent with peer lending levels for all types of credit. The total of bank loans to commercial/industrial borrowers together with bank loans for commercial real estate are consistent with peer levels and consistent with the community's credit needs for small business loans.

Information presented in the following chart details the bank's continuing effort to extend smaller dollar amount agricultural and small business loans, which explains some of the differences between the bank and peer commercial/industrial lending levels.

LOAN AMOUNT	JUNE 1995 # AND \$ (000)	JUNE 1994 # AND \$ (000)	JUNE 1993 # AND \$ (000)

LOAN AMOUNT	JUNE 1995 # AND \$ (000)		JUNE 1994 # AND \$ (000)		JUNE 1993 # AND \$ (000)	
NON-FARM-NON RESIDENTIAL REAL ESTATE SECURED						
\$100,000 or less	71	2,049	44	1,391	43	1,388
\$100,000 - 250,000	20	2,497	15	2,053	14	2,084
\$250,000 - \$1MM	16	7,141	5	2,338	4	1,387
TOTALS	107	11,687	64	5,782	61	4,859
COMMERCIAL AND INDUSTRIAL LOANS						
\$100,000 or less	316	7,288	416	8,648	397	7,674
\$100,000 - \$250,000	58	8,891	62	8,806	67	8,890
\$250,000 - \$1MM	24	8,973	52	22,589	49	19,945
TOTALS	398	25,152	530	40,573	513	36,599

LOAN AMOUNT	JUNE 1995 # AND \$ (000)		JUNE 1994 # AND \$ (000)		JUNE 1993 # AND \$ (000)	
AGRICULTURAL LOANS SECURED BY FARMLAND						
\$100,000 or less	89	3,811	68	3,059	67	2,986
\$100,000 - \$250,000	26	3,811	68	3,059	67	2,986
\$250,000 - \$1MM	4	908	3	544	3	616
TOTALS	119	7,904	95	6,519	90	6,025
AGRICULTURAL OPERATING/PRODUCTION LOANS						
\$100,000 or less	754	9,381	933	11,368	981	10,351
\$100,000 - \$250,000	15	2,000	19	2,496	15	1,889
\$250,000 - \$1MM	3	769	5	1,773	2	644
TOTALS	772	12,150	957	15,637	998	13,882

The preceding charts illustrate that a significant portion of the bank's loan portfolio is comprised of small business and agricultural-related loans. Additionally, outstanding non-farm/non-residential (commercial) loans have continued to increase, both in number and dollar amount over the three year period. Commercial and industrial loans peaked in 1994 and decreased in 1995. Agricultural loans secured by farmland have continued to increase over the period; however, loans to finance agricultural operations and production had a

downward trend. According to bank management, these trends appear to reflect a market where the size of farming operations is increasing, and improved profit margins have reduced the demand for operating and production loans.

Conclusions

The bank's loan-to-deposit ratio of 71.74% reflects an increase and suggests that the bank is very active in pursuing and originating loans. The bank is a strong real estate, small business and small farm and consumer lender within its community, and offers a complete loan product line. Lending activity has remained strong and is reflective of market demands, according to community representatives. Loan activity in residential real estate has increased which is attributed primarily to a strong residential market. The bank makes loans consistent with its CRA statement of credits and the credit needs within the community.

Assessment Factor (j) - The institution's participation in governmentally insured, guaranteed or subsidized loan programs for housing, small business or small farms.

Scope and Findings

The bank's use of government loan programs was reviewed. SBA, student loans, Farmers Home Administration (FmHA) loans, and other subsidized or guaranteed loan programs designed to meet specific needs were reviewed. The following chart summarizes the bank's activity in the above mentioned government sponsored loan programs:

GUARANTEED LOAN TYPE	OUTSTANDING		ORIGINATED SINCE PREVIOUS EXAMINATION	
	NUMBER	DOLLAR AMOUNT	NUMBER	DOLLAR AMOUNT
FmHA	29	1,060,545	18	1,006,000
SBA	28	3,372,646	9	2,195,900
Student loans	535	1,395,045	835	1,234,272

The bank also participates in a significant number of other subsidized/sponsored loan programs, including making mortgage loans with private mortgage insurance (PMI), as noted in the following chart:

LOAN PROGRAM	NUMBER OF LOANS	TOTAL \$ ORIGINATIONS
Guaranteed Rural Housing Loans (RECD)	1	29,500
State of Iowa Linked Investment for Tomorrow Loans (LIFT)*	73	1,250,294
State of Iowa Beginning Farmer Loan	3	311,166

LOAN PROGRAM	NUMBER OF LOANS	TOTAL \$ ORIGINATIONS
Program		
State of Iowa Individual Home Acquisition Program	74	2,018,023
FHLB Affordable Housing Purchasing Program	31	926,071
Iowa Finance Authority First Time Home Buyers Program	6	261,050
Loans granted with Private Mortgage Insurance	258	10,955,054

* - LIFT loans are extended in cooperation with the Treasurer of the State of Iowa. LIFT loans target small minority and women-owned businesses, growers of alternative crops, who are able to obtain below market rates to finance or expand a business. Also, below market interest rates promote diversification from Iowa's staple crops.

Conclusions

The bank's participation in government loan programs is commendable and is consistent with the need for these type of products in the community. The bank offers and extends a variety of subsidized loan products which accommodate borrowers who may not have otherwise qualified for loans. There were no credit needs noted by contacts within the community, which the bank cannot meet through its current product offerings and services.

III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Regulatory Expectation

Reasonableness of Community Delineation

The regulation requires state member banks to prepare, and at least annually review, a delineation of the local community or communities that comprise its entire community, without excluding low- and moderate-income neighborhoods. Maps are required to be used to portray community delineations. The regulation requires Federal Reserve System examiners to review the reasonableness of the delineations.

The regulation states that a local community shall consist of the contiguous areas surrounding each office or groups of offices, including any low- and moderate-income neighborhoods in those areas. In preparing its delineation, a bank may use any one of the three methods, as stipulated in the regulation: (1) existing boundaries, such as those of a Metropolitan Statistical Area or counties in which the bank's office or offices are located; (2) the bank's effective lending territory, which is defined as that local area or areas where it makes a substantial portion of its loans and all other areas equidistant from its offices; or (3) any other reasonably delineated local area that meets the purposes of CRA and does not exclude low- and moderate-income areas.

Scope and Findings

The bank's delineated community was reviewed for reasonableness. Consideration was

given to the bank's marketing efforts and lending products. The geographic distribution of the bank's lending, and the servicing abilities of its branch system were reviewed in conjunction with local demographics to determine the reasonableness of the bank's assessment area.

The bank's delineated community includes all or portions of five contiguous counties, and consists of four separate communities, as described in the Community Profile. These communities surround the bank's seven facilities located in Hardin, Jasper, Marshall, and Tama Counties, serving these as well as a small portion of Marion County. On June 20, 1995, the community surrounding the Prairie City facility in Jasper County was expanded as a result of the bank's geographic lending analysis which indicated a number of loans extended within a previously excluded area (in the southwestern section of the community). This method of delineating the community is consistent with method number two described above and does not exclude any low- and moderate-income or minority areas.

Conclusions

A review of the geographic distribution of the examination loan sample and the distribution of branches throughout the community support the reasonableness of the delineation. The delineation is reasonable and does not exclude any areas which the bank could reasonably be expected to serve.

Assessment Factor (e) - The geographic distribution of the institution's credit extensions, credit applications and credit denials.

Regulatory Expectation

The Policy Statement states that the services that the bank chooses to offer should be distributed within the bank's community in a fair and nondiscriminatory manner, in keeping with the bank's general approach to its business.

Scope and Findings

A sample of recently extended loans was reviewed for geographic distribution within the bank's delineated community. The geographic distribution of calling efforts, loans made through the bank's participation in special loan programs, and results of the bank's self-assessment were also reviewed.

The following table shows the distribution of the examination loan sample throughout the community and the level of lending within the community. Data, by loan product, is shown for each county in the delineation.

GEOGRAPHIC DISTRIBUTION OF EXAMINATION LOAN SAMPLE BY TYPE OF PRODUCT

County Name	Consumer Closed-End	Consumer Open-End	Real Estate	Small Comm./ Agri.	Denials (All)	Orig. (All)	Originations by County as % of Total Originations
Marion	0	0	0	0	0	0	NA
Jasper	6	0	0	5	1	11	7.53%
Marshall	40	25	15	8	46	88	60.27%
Hardin	6	0	1	0	5	7	4.79%
Tama	2	2	3	4	5	11	7.53%
IN	54	27	19	17	57	117	80.14%
OUT	10	13	3	3	24	29	19.86%
TOTAL	64	40	22	20	81	146	100.00%
% IN	84.38	67.50	86.36	85.00	70.37	80.14	

The preceding table reflects the geographic distribution of loan originations and denials from the examination loan sample. Of the total loan activity 80.14% was within the delineated community. The table shows activity in each county in the delineation as a portion of total activity in the bank's delineated community. The distribution by loan product showed that 84.38% of closed-end consumer loans, 67.50% of open-end consumer loans, 86.36% of real estate loans, 85.00% of small business/agriculture loans, were made within the community. The table illustrates that 60.27% of loan activity occurred in Marshall County, the location of the main bank. The bank delineates only one BNA (number 301.00) in Marion County; the examination sample showed no activity in this BNA. There was no activity reflected in BNA number 401, located in Jasper County. However, significant activity was noted in all other BNAs in Jasper, Hardin and Tama Counties. Also, 70.37% of all denials were within the delineated community. This lending and application activity supports the reasonableness of the bank's delineated community, and shows that the entire community participates in the credit process.

The bank's self analysis of the geographic distribution of its loans was reviewed. On an ongoing basis, the bank plots all loans and denials, on maps of its delineated community. Loans are color coded by type, and include real estate, commercial, agriculture, consumer, home equity, and indirect loans. The map reviewed depicted activity for the period of April 1, 1994 to March 31, 1996. The maps show loan activity in every BNA throughout the bank's entire community. According to management, 68.14% of the total number of loans, and 64.45% of the total dollar volume of loans are made within the delineated community. The bank's CRA committee reviews the maps at least annually, and proposes any changes to the board of directors.

The bank also tracks small business and small farm lending for each facility. Accordingly, the distribution, by facility location, of 951 small business and 1,682 small farm loans made since the previous examination is as follows:

Small Business (non-farm) Loans

<u>LOCATION</u>	<u>NUMBER OF LOANS</u>	<u>DOLLAR AMOUNT OF LOANS</u>
Marshalltown	626	29,983,029
Laurel	56	519,985
Gladbrook	39	514,885
Prairie City	178	2,089,776
Eldora	<u>51</u>	<u>457,672</u>
TOTAL	951	33,573,731

Small Farm Loans

Marshalltown	497	9,780,941
Laurel	291	5,691,258
Gladbrook	139	4,218,597
Prairie City	489	8,714,867
Eldora	<u>266</u>	<u>2,928,586</u>
TOTAL	1,682	31,334,425

Conclusions

The majority of loans and denials are within the delineated community and loans are reasonably distributed throughout the entire community. The bank is a significant small business and small farmer lending within its community. A very thorough and in depth analysis of lending is conducted by the bank to ensure a reasonable distribution. The bank is responsive to information obtained through its analysis and makes proactive adjustments to improve its performance where possible.

Assessment Factor (g) - The institution's record of opening and closing offices and providing services at offices.

Scope and Findings

The bank's branch closing policy, services available at facilities, hours of operation, and other information were reviewed. Branch offices were visited on a sample basis and personnel were interviewed to determine whether branches were similarly staffed, and offered services to its community in an equitable manner.

The bank adopted a branch opening and closing policy on December 21, 1993. This policy requires the bank to conduct a CRA impact analysis, consider alternatives and determine the availability of services and community impact regarding branch openings and closings.

The bank has not opened or closed any facilities since the previous examination. The bank has seven facilities, six of which are full-service. The main bank is located at 11 North First Avenue with another facility located at 3 East Southridge Road, in Marshalltown. An expansion of the 3 East Southridge Road facility has been completed since the previous examination, which added private offices for lending personnel. Additional full-service facilities are located in Eldora, Gladbrook, Laurel and Prairie City. A facility located in Steamboat Rock primarily offers deposit services; loan applications are referred to the Eldora office.

The bank's normal hours of operation are 8:30 A.M. to 5:30 P.M. including drive-up/walk-up, and 8:30 A.M. to Noon on Saturdays. Marshalltown, Gladbrook and Prairie City also offer 24-hour automated teller machines (ATMs).

Respondents to the bank's survey were highly complimentary of the location of the bank's offices, courtesy of employees and convenience of banking hours, as previously discussed under Assessment Factor (a).

Conclusions

The bank's offices maintain a reasonable level of service to the bank's entire delineated community. Interviews with management, branch personnel and community representatives evidence that the bank provides a similar level of service to all geographies within the bank's delineated community. The bank solicits information from the community regarding the adequacy and effectiveness of its services and ability to meet the credit needs of its community, and responds in a proactive manner.

IV. DISCRIMINATION OR OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor (d) - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

Scope and Findings

The bank's CRA statement and loans portfolio were reviewed. Loan officers were interviewed and branch facilities were visited to compare the availability of loan products and other services. Contacts were conducted with members of the community to determine the availability of the bank's credit products on a fair and equitable basis, including any indications of discouragement of applications.

The bank's CRA statement indicates that the following types of credit are available to members of its community:

Real estate loans; agricultural; commercial and industrial; individual loans for household, family, education and other personal expenditures; and other loans. Special and governmental loan programs include loans and grants through the

Iowa Finance Authority, First time homebuyers, Federal Home Loan Bank, RECD Rural Housing Program, Iowa Mortgage Credit Certificate Program, Affordable Housing Grant, Iowa Housing Assistance Program, Small Business Administration, Linked Deposit loans and loans with private mortgage insurance (PMI).

A review of the bank's loan portfolio indicates that credit products offered, result in loans extended for each type of loan product.

The result of loan officer interviews and branch visits did not reveal any concerns regarding the possible discouragement of loan applicants. The result of contacts with community representatives did not reveal any concerns relative to the equitable offering and delivery of credit products and services.

Conclusions

Lending data and a sample of loans and denied credit applications reviewed during this examination revealed that the bank accepts applications for and originates credit in accordance with its stated policies. The review also demonstrated that the bank makes loans, by general type, consistent with its CRA Statement. The results of visits with community representatives and branch personnel revealed no concerns regarding accessibility to credit. Additionally, no practices intended to discourage applicants were detected during the examination.

Assessment Factor (f) - Evidence of prohibited discriminatory or other illegal credit practices.

Scope and Findings

The bank's loan forms, policies and procedures, training, and recently approved consumer and commercial loans, as well as rejected credit applications were reviewed for compliance with the applicable fair housing and fair lending laws and regulations. The bank's self assessment procedures, loan denial second review procedures and a sample of outside calls were also reviewed. Loan officers and other public contact personnel were interviewed to determine their level of familiarity with fair lending laws.

An analysis of the examination loan sample was conducted to identify whether low- and moderate-income individuals participated in the credit applications process. Income levels were defined using the State of Iowa median family income of \$29,303 as noted in the community profile, with incomes of less than 80% of the median being moderate-income, and less than 50% of the median income being low-income.

Low- and moderate-income borrower/applicants were represented in the loan sample among all credit products, with the exception of home equity and credit card applicants. The results indicated that 17 of 146 borrowers, or 11.64%, were low- or moderate-income. A further analysis indicated that 1.37% were low-income, and 10.27% were moderate-income borrowers. Among denied applicants, the results showed that 24 of 81, or 29.62%, were low- or moderate-income applicants. The distribution between low-

income and moderate-income was 16.05% low-income, and 13.58% moderate-income. Overall, this analysis shows a reasonable distribution of applicants among income levels and indicates that all income levels from low-income to high-income participate in the credit process at the bank.

The bank's self-analysis of its lending patterns to borrowers/applicants of different incomes was reviewed. The results of the self analysis revealed that at the two Marshalltown locations combined, 18.2% of real estate loans were made to borrowers with incomes less than \$20,000, and 32.0% of denied applications were from applicants with incomes less than \$20,000. At other facility locations, the percentage of loans made to borrowers with incomes less than \$20,000 were as follows: Laurel - 6%, Gladbrook - 10.0%, Prairie City - 11.6% and Eldora - 10.8%. The bank did not have data regarding denials at other offices. This data shows a significant portion of total real estate loans are made to low- and moderate-income individuals.

Since the previous examination, the bank made 684 real estate loans, of which one-third of the loans were in amounts less than \$30,000. According to management, the bank made 431 consumer loans in amounts less than \$2,000 since the previous examination, at an average of \$1,236 per loan. This also shows that applicants who may require or qualify for only a small amount are also extended loans.

The bank also has established a loan denial review process to review each loan denial to ensure just cause for the denial. Real estate, commercial and consumer loans in amounts over \$25,000 are discussed at weekly loan meetings, with all loan officers able to participate in the review process. Small consumer loans are reviewed on an inter-departmental basis, two loan officers to review the loan decision prior to denial.

Conclusions

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

V. COMMUNITY DEVELOPMENT

Assessment Factor (h) - The institution's participation, including investments, in local community development or redevelopment projects or programs.

Scope and Findings

The bank's community development lending, participation in local bond activity, and assistance offered to non-profit groups, government offices and/or local social service agencies that serve low- and moderate-income populations, and specific activity related to the development of affordable housing or economic development were reviewed. Bank management and those knowledgeable about community development needs and projects were interviewed.

A review of the bank's portfolio of loans showed that community development loans are a

significant part of the bank's lending. Since the previous examination, the bank made 13 loans to towns, schools, churches and non-profit groups and organizations in the community. Loans to various municipalities, local organizations and churches were noted.

In 1994, the Crestview of Marshalltown Senior Housing Development was completed. The bank was a limited partner in this development which has provided housing for low-income senior citizens. According to bank management, this program was implemented in response to an identified need within the community, providing 40 additional residential units in downtown Marshalltown which have been fully occupied since completion. The bank received the award for Excellence for Economic/Community Service from the Iowa Bankers Association in 1994 for this project. The bank is currently providing financing for Hillcrest Limited Partnership, a development nearing completion which will provide 32 low-income housing units.

An officer of the bank participates in the Marshalltown Economic Development Impact Committee which was organized to assist in determining area business needs and to improve the business climate of the community. An officer is also active in the local Habitat for Humanity. An officer of the Prairie City facility is active in the Economic Development Committee, which was instrumental in recruiting a pharmacy business to the community. Also, an officer of the Eldora facility participates in the Eldora Economic Development group that prospects the development and attraction of business. A bank officer is active in the Gladbrook Commercial Club in Gladbrook and the Senior Housing Board in Laurel.

A review of the bank's municipal bond portfolio showed one local investment outstanding and an additional \$3.1 million in other investments within the State of Iowa.

Conclusions

The bank's community development activities are proactive and contribute significantly to the economic welfare of the community. In addition to financial support in the form of loans and the purchase of bond issues, the bank has joined in several initiatives involving affordable housing and small business assistance. Also, the bank provides funding in conjunction with government initiatives, and works in cooperation with local initiatives which assist or promote local community development.

Assessment Factor (k) - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

There are no apparent factors relating to the bank's financial condition and size, or local economic conditions that would prevent the bank from meeting community credit needs.

Assessment Factor (l) - Any other factors that, in the regulatory authority's judgement, reasonably bear upon the credit needs of its entire community.

Scope and Findings

The bank's other programs and services that relate directly to the bank's ability to meet the credit needs of its community were reviewed.

In October of 1995, the bank made a loan through use of an Iowa Finance Grant which assisted a borrower in the payment of closing costs. The loan was made in cooperation with Central Iowa Residential Services.

The bank also provided financial assistance for the production of a Spanish language video developed and produced by the staff at Iowa Valley Continuing Education College. This video introduces Spanish speaking newcomers to the institutions and services in Marshalltown. It also addresses topics such as health care, public transportation, education and banking services.

The bank has established a Save for America program in association with Anson Middle School in Marshalltown. The school-based bank is intended to assist students in developing money management skills while learning the fundamentals of handling a bank account.

Conclusions

These types of activities enhance community awareness of bank services and promote an attitude of friendliness and approachability that indicate bank staff is available to provide credit products, services and information and to respond to questions regarding the credit needs of the entire community.

VIOLATIONS OF REGULATION BB

None.

