
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 **Central Trust and Savings Bank, Cherokee, Iowa**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **September 16, 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 **Outstanding**.

Central Trust and Savings Bank serves the credit needs of its assessment area consistent with its size, financial capacity, location, and current economic conditions. The bank's loan-to-deposit ratio meets the standards for satisfactory performance, lending within the assessment area exceeds the standard for satisfactory performance and loans are reasonably distributed among borrowers of different income levels as well as among businesses of different sizes. No complaints concerning the bank's CRA performance were received since the previous examination.

The following table illustrates the performance level of **Central Trust and Savings Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	CENTRAL TRUST & 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	There are no low- or moderate-income census tracts or BNAs in the assessment area.		
Response to Complaints	No complaints were received since the previous examination		

DESCRIPTION OF INSTITUTION

Central Trust and Savings Bank, with total assets of \$35.8 million as of June 30, 1996, is a subsidiary of Commercial Financial Corporation, a two-bank holding company. The bank's main office and 24-hour drive-up automated teller machine (ATM) are located in Cherokee, Iowa, approximately 185 miles northwest of Des Moines. Two limited-service branches are located in the neighboring communities of Quimby and Washta. The main office offers general deposit products and services, as well as installment, single payment, real estate, agricultural, and commercial loan products. The branch locations only offer deposit products and services. There are no apparent factors relating to the bank's prior performance, legal impediments, size and financial capacity, or local economic conditions that would prevent the bank from meeting the credit needs of its community. Prior to 1995, the bank was examined by the Federal Deposit Insurance Corporation (FDIC).

The bank's primary competitors are Cherokee State Bank, Valley Bank and Trust, and Cherokee Community Credit Union, all of which are located in Cherokee.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank has designated the Counties of Buena Vista and Cherokee as its assessment area. These counties consist of 10 block numbering area (BNAs), all of which are middle-income areas. The assessment area is primarily agricultural, and includes numerous small communities in addition to the larger cities of Storm Lake (population 8,769), and Cherokee (population 6,026). The area's employment and economic growth are based primarily on the agricultural industry. Major employers in the area include: IBP, Inc., Storm Lake; Wilson Foods Corporation, Cherokee; Bil-Mar Foods, Inc., Storm Lake; and Buena Vista University, Storm Lake.

The assessment area's population is 34,063, with minority residents comprising 2.1% of the total population, according to 1990 census data. There are no designated minority BNAs either within or adjacent to the bank's assessment area. The assessment area's median family income of \$28,808 is slightly less than the State of Iowa nonmetropolitan median income of \$29,303. Of the 9,168 families in the assessment area, 15.4% are designated as low-income families and 20.3% are designated as moderate-income families. The assessment area contains 14,113 housing units, of which 63.8% are owner-occupied.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

Loan-to-Deposit Ratio

A review of the bank's Consolidated Report of Condition for the six quarters preceding the examination revealed an average loan-to-deposit ratio (LTD) of 72.34%. According to the Uniform Bank Performance Report dated June 30, 1996, the bank's loan-to-deposit ratio of 80.88% significantly exceeded its peers' ratio of 66.61%. Since its acquisition in June of 1994 by Commercial Financial Corporation, the bank's loan-to-deposit ratio has consistently increased, as evidenced by a comparison of ratios from March 1994 (39.78%), March 1995 (65.73%) and March 1996 (72.56%).

The following chart illustrates the loan-to-deposit ratio comparison between the bank and its primary competitors in Cherokee, according to the Spring 1996 *McFadden American Financial Directory*:

Loan-to-Deposit Ratios of Competition				
Bank Name and Location	Asset Size as of 12/31/1995 (in thousands)	LTD Ratio Fall 1995	LTD Ratio Spring 1996	Average LTD Ratio
Cherokee State Bank, Cherokee	\$130,256	40.13%	39.18%	39.66%
Valley Bank and Trust, Cherokee	\$18,894	85.33%	85.20%	85.27%
Central Trust & Savings Bank, Cherokee	\$33,460	71.15%	66.69%	68.92%

Central Trust and Savings Bank's loan-to-deposit ratio meets the standards for satisfactory performance, considering its size, financial condition, and the credit needs of its assessment area.

Lending in Assessment Area

The examination loan sample was reviewed to determine the proportion of lending activity within the bank's assessment area; this activity is illustrated in the following chart:

LOAN TYPE	TOTAL SAMPLED	WITHIN ASSESSMENT AREA	PERCENT OF TOTAL
Direct Installment	17	12	70.59%
Indirect Installment	10	8	80%
Single-Payment	10	10	100%

LOAN TYPE	TOTAL SAMPLED	WITHIN ASSESSMENT AREA	PERCENT OF TOTAL
Real Estate	10	10	100%
Home Equity Line of Credit	10	10	100%
Credit Cards	10	10	100%
Commercial/Agricultural	17	16	94.12%
Total Approved Loans	84	76	90.48%

As the preceding chart illustrates, 90.48% of the applications approved by the bank were within its assessment area. In addition, a six-month sample of loan originations, period ending July 31, 1996, was analyzed. This analysis revealed that of 399 originations, 339 (84.96%) were within the assessment area. The bank's lending in its assessment area exceeds the standards for satisfactory performance. This is attributed to the fact that the bank is focusing its lending efforts within its assessment area.

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

The six-month sample of loans was also analyzed to determine the distribution of loans among borrowers of different income levels. The bank does not regularly collect income information; therefore, a proxy was used to determine the extent of lending among the various income levels. The proxy for installment loans used 20% of an individual's discretionary income in determining a monthly payment amount and applied this to the four income levels. Likewise, for real estate loans, 28% was used to determine the monthly payment amount for the four income levels. The following table summarizes the results of the analysis:

CENTRAL TRUST AND SAVINGS BANK CONSUMER ORIGINATIONS 2/1/96 TO 7/31/96				
LOAN TYPE	LOW-INCOME \$/Number	MODERATE-INCOME \$/Number	MIDDLE-INCOME \$/Number	UPPER-INCOME \$/Number
Installment	368,877/77	84,588/5	30,000/1	10,400/2
Real Estate	420,487/11	86,998/3	282,902/4	1,082,363/8
Total Originations	789,364/88	171,586/8	312,902/5	1,092,763/10

As illustrated in the preceding chart, 79.28% (88) of the loans in the sample were originated to low-income individuals and 7.21% (8) were originated to moderate-income individuals. Specifically, 42.31% (11) of the real estate loans in the sample were originated to low-income individuals and 11.54% (3) were originated to moderate-income individuals.

In addition to the preceding analysis, the number of installment and single payment loans under \$1,000 was also analyzed to reflect lending to low- and moderate-income individuals. Of the 123 originations, 22 (17.89%) were for dollar amounts of \$1,000 or less. The average loan amount for all 123 originations was \$5,775.

All commercial and agricultural loan originations for the six-month period ending July 31, 1996, were reviewed to determine the bank's performance in lending to businesses and farms 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. Of the 142 commercial and agricultural loans in the sample, 34 (23.94%) were for amounts greater than \$100,000 and only 11 of these 34 were for amounts greater than \$250,000. This evidences the bank's commitment to the credit needs of small farm and small business owners.

In 1993, the community suffered severe flood water damage to homes located along the Little Sioux River. In response to this, the City of Cherokee, with grant funding furnished through the Iowa Department of Economic Development, has established the Cherokee Affordable Housing Forgivable Loan (Gap Financing Program). The goal of the program is to assist low- to moderate-income individuals acquire new homes. Since March 1995, the bank has originated ten Gap loans, totaling \$317,000 in bank funds and \$191,000 in additional Gap funds.

The bank's loan penetration among borrowers of different incomes and businesses of different sizes exceeds the standards for satisfactory performance, considering the demographics of the assessment area and the local business and agricultural economy.

Geographic Distribution of Loans

Because there are no designated low- or moderate-income geographies located within the assessment area in which lending activity could be analyzed, this criterion is not rated.

Response to Substantiated Complaints

Since the previous examination, no complaints were received by either the institution or the Federal Reserve Bank of Chicago regarding the bank's CRA activities.

