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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 **First American Bank, Fort Dodge, Iowa**, prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **October 6, 1997**. 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 assessment of the bank's efforts to meet the credit needs of its community indicates that the bank's performance is highly satisfactory. The percentage of lending within the assessment area is high, the bank's loan-to-deposit ratio is satisfactory, and lending is reasonably distributed within the assessment area. Analysis of lending to borrowers of different income levels and businesses of different sizes revealed a high percentage of loans to small businesses and low- and moderate-income borrowers. The bank's loan-to-deposit ratio has increased over the six most recent quarters, and the bank has sold a significant number of its real estate loan originations on the secondary market.

Additionally, the bank, whose main office is located within a moderate-income area, provides a number of positive services for this area and throughout the community. These services include the bank's participation in a low-cost loan program for downtown businesses located in the moderate-income tract, and the operation of an automated teller machine (ATM) located at a branch office within the same census tract. These services, which target the bank's moderate-income census tract, further support the bank's satisfactory rating.

**DESCRIPTION OF INSTITUTION**

First American Bank, Fort Dodge, Iowa, with total assets of \$161.6 million as of June 30, 1997, is a subsidiary of First American Bank Group, Ltd., a four member-bank holding company that also includes First American Bank, Webster City, First American Bank, Jewell, and First American Bank, Ames, all located in Iowa. The bank, with its main facility and branch office located in Fort Dodge, Iowa, is a retail bank offering traditional loan and deposit services. The bank's primary loan products are residential real estate, agriculture, and commercial loans, which comprise 28%, 23%, and 20% of the bank's loan portfolio, respectively.

The bank's competitors include Nation's Bank of Fort Dodge, Fort Dodge, Iowa; Norwest Bank Iowa, Fort Dodge, Iowa; United Bank of Iowa, Fort Dodge, Iowa; Security Savings Bank, Gowrie, Iowa; and Humboldt Trust and Savings Bank, Humboldt, Iowa. The bank also receives competition from First Federal Savings Bank of Fort Dodge which is located in Fort Dodge.

**DESCRIPTION OF ASSESSMENT AREA**

The City of Fort Dodge, Iowa is located slightly northwest of the central area of the State of Iowa in Webster County. Webster County is primarily a rural area, where the agricultural production of corn, soybeans, hogs and cattle are dominant industries. The City of Fort Dodge has a stable industrial base. Major employers located within the Fort Dodge area include: Trinity Regional Hospital, employing 850; Fort Dodge Laboratories, employing 825; Fort Dodge Community Schools, employing 586; Smithway Motor Xpress, employing 475; Decker Truck Line, employing 303; and Cenex/Land O Lakes, employing approximately 300. In addition, a new state prison facility is expected to be opened in Fort Dodge shortly. According to the State of Iowa Workforce Development, the December 1996 unemployment rate for Webster County was 2.8%, compared to the State of Iowa unemployment rate of 3.6%. According to bank management and community representatives, Webster County's low unemployment rate is the result of increased economic activity and a high demand for labor in the Fort Dodge area.

The bank's assessment area consists of nine census tracts (#1 through #9), all located within or adjacent to the City of Fort Dodge, and three block numbering areas (BNAs) (#101, 102, and 104), which are principally located in rural Webster County. Census tract #2 is an upper-income area; census tracts #1,3,4,5,6,8, and 9, and BNAs 101, 102, and 104 are middle-income areas; and census tract #7 is moderate-income. There are no low-income census tracts or BNAs within the bank's assessment area. The bank's main office and drive-up facility are located in the moderate-income census tract (#7).

According to 1990 U.S. census data, Webster County's population is 40,342, the assessment area's population is 36,530, and Fort Dodge's population is 25,894. The median family income for the assessment area is \$28,934. Of all families within the assessment area, 18% are low-income, 19.3% are moderate-income, 25.6% are middle-income, and 37.1% are upper-income. Minorities represent 3.7% of the assessment area population, most of whom reside in census tracts #7 and 8.

The housing stock of the assessment area is 64.5% owner-occupied, with 85.3% consisting of one-to-four family residences. Approximately 47% of housing units were built prior to 1950. According to 1990 census data, the median housing value for the assessment area is \$37,937,

while the median housing value for the nonmetropolitan areas of Iowa is \$38,521. Approximately 54% of owner-occupied housing units in the assessment area are valued at or below \$40,000, and 43% are valued between \$40,000 and \$100,000.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

The institution is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No prohibited discriminatory lending patterns or practices were detected during the examination.

**Loan-to-Deposit Ratio**

An analysis of the bank's six most recent quarterly Consolidated Reports of Condition and Income revealed the following loan-to-deposit ratios:

<b>QUARTER ENDING</b>	<b>LOAN-TO-DEPOSIT RATIO</b>
September 30, 1997	72.06%
June 30, 1997	68.53%
March 31, 1997	67.03%
December 31, 1996	71.01%
September 30, 1996	67.11%
June 30, 1996	62.27%
<b>Average</b>	<b>68.00%</b>

Reviewing the most recent loan-to-deposit ratios revealed that the bank's loan-to-deposit ratio increased by approximately 10% from June 30, 1996 to September 30, 1997. The December 31, 1996 ratio of 71.01% is reasonable and compares favorably with the loan-to-deposit ratio for the bank's peer group of 71.42%. The bank's average loan-to-deposit ratio of 68.00% is reasonable. Although not reflected in the loan-to-deposit ratio, the bank originated a number of real estate loans, which were booked and then sold to the secondary market. Bank records revealed that 57 loans totaling \$4,646,500 were originated and sold in 1996, and 40 loans totaling \$3,420,550 were originated and sold through August of 1997.

The following chart reflects the loan-to-deposit ratios of the bank's competitors, according to the *McFadden American Financial Directory*:

**Loan-to-Deposit Ratios of Competitors**

Based upon December 31, 1996 Data		
Name and Location of Competitor	Assets (000s)	LTD Ratio
Nation-s Bank of Fort Dodge, IA	\$104,196	54.42%
Norwest Bank Iowa , National Association (branches of Des Moines), Fort Dodge, IA	\$5,678,428*	71.93%
United Bank of Iowa (Fort Dodge branch of Ida Grove)	\$178,220*	77.52%
Security Savings Bank, Gowrie, IA	\$29,643	61.36%
Humboldt Trust and Savings Bank, Humboldt, IA	\$83,746	50.34%
Brenton Bank, (Branch of Des Moines), Eagle Grove, IA	\$1,507,493*	69.92%
<b>Average</b>	<b>\$1,263,621</b>	<b>64.25%</b>

\* Asset size representative of main bank location and all branches

As the preceding chart illustrates, the bank-s December 31, 1996 loan-to-deposit ratio (71.01%) and six quarter average (68.00%) exceed the average loan-to-deposit ratio of its local competitors (64.25%) for the same period. Discussions with management, as well as community representatives revealed that the bank is aggressive in its efforts to address the credit needs of the assessment area. Given the bank-s size, financial condition, increasing loan-to-deposit ratio, and secondary market activity, the bank-s loan-to-deposit ratio meets the standards for satisfactory performance.

### Lending in Assessment Area

To determine the bank-s lending performance within its assessment area, loan originations from March 1, 1997 through September 30, 1997 were reviewed (commercial/agriculture loans are from March 31, 1997 to September, 30, 1997). The bank-s information system facilitated this review by providing a data base of loans made within and outside of the bank-s assessment area. Analysis of this data revealed the following levels of lending within the assessment area:

LOAN TYPE	# of LOANS SAMPLED	# OF LOANS MADE WITHIN ASSESSMENT AREA	% OF LOANS MADE WITHIN ASSESSMENT AREA
Consumer (Installment and Single Payment)	513	441	86
Real Estate	89	78	88
Commercial/Agriculture	528	476	90
Home Equity Line	80	73	91
<b>Loan Sample Total</b>	<b>1,210</b>	<b>1,068</b>	<b>88</b>

As the preceding chart indicates, approximately 88% of the bank-s loans made during the six-month period were to borrowers located within the bank-s assessment area. Based upon the high percentage of loans made within the assessment area, the bank-s performance under this criterion exceeds the standards for satisfactory.

**Lending to Borrowers of Different Income Levels and Businesses of Different Sizes**

Small business, small farm, consumer and real estate loans were reviewed to determine the bank's performance under this criterion.

Small Businesses and Small Farm Loans

Small business loans are defined as those loans with original amounts of \$1 million or less, and small farm loans are defined as those loans with original amounts of \$500,000 or less. Management stated that the majority of commercial and agriculture loans in the bank's loan portfolio are to small businesses and farms. A review of the bank's June 30, 1995, 1996, and 1997 Consolidated Reports of Condition and Income showed the following outstanding loans, by dollar amount, to businesses and farms:

<b>Loans Outstanding to Small Businesses/Small Farms</b>	<b>1995 (000s)</b>	<b>1996 (000s)</b>	<b>1997 (000s)</b>
Loans Secured by nonfarm nonresidential properties	\$3,484	\$2,848	\$6,875
Loans secured by farmland (including farm residential)	\$3,426	\$9,901	\$9,633
Loans to finance agricultural production	\$20,712	\$18,418	\$19,858
Commercial and industrial loans	\$13,838	\$15,105	\$17,718
<b>Total Loans</b>	<b>\$41,460</b>	<b>\$46,272</b>	<b>\$54,084</b>

As the preceding chart illustrates, a significant increase in the bank's small business/small farm portfolio was noted during the three year period. From June, 1995 to June, 1997, small farm and small business loans increased from \$41,460 to \$54,084 or 30.45%. By product, loans secured by nonfarm/ nonresidential properties increased by 97.33%; loans secured by farmland increased by 181.77%; commercial and industrial loans increased by 28.04%; and loans to finance agricultural production were down from 1995 by 4%, but increased by 7.82% over 1996. The Consolidated Reports of Condition also revealed that substantially all these loans were for original amounts of \$100,000 or less.

Business and agriculture-related loans made between March 31, 1997 and September 30, 1997 were distributed, by loan amount, as follows:

<b>Loan Product</b>	<b>LOAN AMOUNT</b>

	Less than \$100,000	\$100,000-250,000	\$250,000-500,000	\$500,001-\$1mm	Greater than \$1mm	Total
Commercial	236	9	1	1	1	248
Commercial Real Estate	32	2	0	0	0	34
Floor Plan	152	1	0	0	0	153
Agricultural	251	8	0	0	0	259
Agricultural Real Estate	18	8	1	0	0	27
<b>Totals</b>	<b>689</b>	<b>28</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>721</b>

The preceding chart shows that the majority of loans made between March 31, 1997 and September 30, 1997 were for amounts under \$100,000. This concentration demonstrates the bank's strong effort in making small dollar amount loans which are loans typically needed by small businesses and small farms.

Consumer and Real Estate Loans

Borrower income data was obtained for the bank's major consumer loans made between March 1, 1997 and September 30, 1997 to determine the extent of the bank's lending to low- and moderate-income individuals. Analysis of this data revealed the following distribution of loans among consumer borrowers of different income levels:

Loan Type	Low-Income Borrowers	Moderate-Income Borrowers	Middle-Income Borrowers	Upper-Income Borrowers	Total # of Loans	% of Total Loans Made to Low- or Moderate-Income Borrowers
Consumer	68	80	109	186	443	33.41
Real Estate	6	6	13	52	77	15.58
Home Equity Line	1	5	7	57	70	8.57
Consumer Real Estate (Fixed 2nd Mortgage)	2	11	21	49	83	15.66
<b>Total</b>	<b>77</b>	<b>102</b>	<b>150</b>	<b>344</b>	<b>673</b>	<b>26.60</b>

As the preceding chart indicates, 179 of 673 loans or 26.60% originated in the six-month period were made to low- and moderate-income borrowers. It should also be noted that this figure may be higher, as the bank computed the moderate-income threshold by using 79% of the NonMetropolitan Iowa median family income instead of 80%.

The analysis of the bank's lending to borrowers of different income levels and businesses of

different sizes indicates that the bank exceeds the standards for satisfactory performance. Substantially all of the bank's business and farm loans were to small businesses or small farms and are in small dollar amounts, and a large percentage of consumer loans were to low- and moderate-income borrowers.

### Geographic Distribution of Loans

To determine the geographic distribution of the bank's lending, commercial and industrial loans were selected as the sample loan product, as the only moderate-income census tract (#7) is principally industrial, and includes many small businesses in the Fort Dodge downtown area. An analysis of a six-month sample (from March 1, 1997 to September 30, 1997) of commercial and industrial loans (224) made within the bank's assessment area revealed the following distribution among the geographies (tracts or BNAs) within the bank's assessment area:

TRACT/BNA #	# OF LOANS FROM SAMPLE	CENSUS TRACT/BNA INCOME LEVEL	PERCENT OF TOTAL
1	16	Middle	7.14
2	2	High	.89
3	7	Middle	3.13
4	9	Middle	4.02
5	43	Middle	19.20
6	11	Middle	4.91
<b>7</b>	<b>42</b>	<b>Moderate</b>	<b>18.75</b>
8	3	Middle	1.34
9	43	Middle	19.20
101	2	Middle	.89
102	7	Middle	3.13
104	39	Middle	17.41
<b>TOTAL</b>	<b>224</b>		

As the preceding chart indicates, a substantial percentage (18.75%) of the sampled commercial loans the bank made within its assessment area were in the moderate-income geography. The geographic distribution of loans is reasonable and meets the standards for satisfactory performance.

### Services and Investments

The bank's main office and drive-up facility, which are located in the only moderate-income census tract within the bank's assessment area, maintains an ATM machine outside the drive-up facility. Perhaps the most significant contribution the bank makes to this moderate-income area is through its relationship with the Fort Dodge Economic Development Corporation. Through this organization, which is funded by state and local sources, the bank services a number of small

business loans for downtown area businesses. These customers, who have had loans and accounts with the bank, apply for a loan at the bank, and are taken over to the Organization's office in Fort Dodge. The loan applicants are approved there and are given a low-cost loan (some as low as 3%). The bank then places the loan on its books and services the account for the duration of its term. Eleven loans totalling approximately \$181,000 were made under this arrangement.

General feedback from community contacts was positive, revealing that the bank is sensitive to the needs of its customers and the community. This proactive involvement in the bank's community was considered in its overall rating.

**Response to Complaints**

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