

### **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 **Clear Lake Bank & Trust Company, Clear Lake, Iowa** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **March 31, 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 **Outstanding**.

Clear Lake Bank & Trust Company promotes economic revitalization and growth, consistent with its size, financial capacity, location, and current economic conditions. The bank's efforts are primarily accomplished through the origination of consumer and consumer real estate loans. These efforts have yielded a high loan-to-deposit ratio. In addition, the bank originates a substantial majority of its loans within the assessment area, and lending to borrowers of various income levels and businesses of different sizes is significant. Management has developed policies, procedures, and training programs that have been effective in preventing illegal discrimination in credit activities.

## **DESCRIPTION OF INSTITUTION**

Clear Lake Bank & Trust Company, with approximately \$127 million in assets as of December 31, 1996, is located 110 miles north of Des Moines, Iowa in Cerro Gordo County. In addition to the bank's main location in Clear Lake, a branch is located in Garner, Iowa, 12 miles west of Clear Lake in Hancock County. Credit applications are accepted at both locations.

The bank is primarily a consumer and consumer real estate lender with 52% of its portfolio concentrated in these lending categories. Among the bank's local competitors are First Citizens National Bank, Boatmen's Bank of North Iowa, Liberty Bank & Trust, all located in Mason City, Iowa. Hancock County Bank & Trust, Garner, Iowa, also provides direct competition for the branch office.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area consists of Cerro Gordo and Hancock Counties in Northcentral Iowa. This area consists of 14 block numbering areas (BNAs), none of which are low- or moderate-income or minority areas. Major municipalities in the assessment area include Clear Lake and Mason City.

According to the 1990 U.S. Census, the assessment area has a population of 59,371. The population is 97.4% White, 1.5% Latino, 0.6% Black and 0.5% Asian. The median family income for the assessment area is \$35,000, which compares favorably with the non-metropolitan state median family income of \$29,303. Approximately 14% of families within the assessment area are low-income, 20% are moderate-income, 26% are middle-income and 40% are upper-income. According to community representatives, the permanent population of Clear Lake approximates 8,000; during the summer, the population increases to 30,000 due to the recreation activities available in Clear Lake.

The housing stock in the assessment area is approximately 64% owner-occupied and 28% renter-occupied. One-to-four family housing units represent 86% of the assessment area's housing stock. The median housing age for the assessment area is 28 years, which compares favorably with the nonmetropolitan median housing age of 38 years.

Major employers in the assessment area include Mercy Hospital in Mason City which employs 2,000; Kraft Foods in Mason City which employs 1,200; Iowa Mold Tool Company in Garner which employs 400, and Clear Lake Bakery in Clear Lake which employs 300. The area surrounding Clear Lake and Mason City is largely agricultural with corn, soybean, hog production and cattle feeding as the primary agricultural and livestock-related activities. According to the Iowa Department of Employment Services, the February 1997 rate of unemployment in Cerro Gordo and Hancock Counties was 4.2% and 3.5%, respectively. These figures compare with the adjusted statewide unemployment rate of 3.5%.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

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**

The bank's average quarterly loan-to-deposit ratio since the previous examination is 76.12%. According to the December 31, 1996 Uniform Bank Performance Report (UBPR), the bank's fourth quarter 1996 loan-to-deposit ratio of 75.09% exceeded its national peer average of 71.49%.

In order to assess the bank's standing with local competition, the bank's loan-to-deposit ratio was compared to that of other area banks. The following chart represents a loan-to-deposit ratio comparison with area competitors:

<b>Loan-to-Deposit Ratios of Clear Lake Bank &amp; Trust Company and Area Competitors</b>									
<b>Bank Name</b>	<b>Asset Size (\$000s)</b>	<b>June 1995</b>	<b>Sept. 1995</b>	<b>Dec. 1995</b>	<b>March 1996</b>	<b>June 1996</b>	<b>Sept. 1996</b>	<b>Dec. 1996</b>	<b>7-Quarter Average</b>
Liberty Bank & Trust	\$103,997	72.71%	78.52%	73.06%	75.92%	74.01%	73.93%	76.83%	<b>75.00%</b>
First Citizens National Bank	\$508,087	58.78%	59.53%	59.54%	61.64%	64.72%	63.02%	66.10%	<b>61.90%</b>
Boatmens Bank North Iowa	\$229,042	69.10%	69.44%	66.20%	64.20%	61.37%	59.32%	60.19%	<b>64.26%</b>
Hancock County Bank & Trust	\$70,427	61.07%	59.15%	52.83%	51.92%	51.11%	52.60%	56.45%	<b>55.02%</b>
<b>Clear Lake Bank &amp; Trust</b>	\$126,797	75.43%	77.07%	73.73%	74.99%	77.43%	79.13%	75.09%	<b>76.12%</b>

The preceding chart illustrates that the bank's average loan-to-deposit ratio is higher than those of its competitors. Considering the bank's size, financial condition and local competition in the assessment area, the institution's loan-to-deposit ratio exceeds the standards for satisfactory performance.

**Lending in Assessment Area**

A six-month sample of consumer real estate loans, a one-month sample of consumer installment loans and the examination loan sample were reviewed to determine the bank’s level of lending in its assessment area.

A sample of 61 consumer real estate loans revealed that 60 loans or 98.4% were originated within the bank’s assessment area. A sample of 58 consumer installment loans revealed that 52 loans or 89.7% were originated within the bank’s assessment area.

Review of the examination loan sample revealed the following level of lending within the bank’s assessment area:

LOAN TYPE	TOTAL # OF LOANS SAMPLED	# OF LOANS WITHIN THE ASSESSMENT AREA	PERCENT OF TOTAL
Indirect Installment	20	13	65
Credit Reserve	13	12	92
Credit Cards	10	10	100
Single-Payment	20	16	80
Commercial & Agricultural	20	19	95
Total	83	70	84.33

The bank’s level of lending within the assessment area exceeds the standards for satisfactory performance.

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

The bank’s lending volume to borrowers of varying income levels was analyzed by comparing borrower income levels to median family income. The following chart illustrates the bank’s performance, by loan product.

LOAN TYPE	LOANS TO LOW-INCOME BORROWERS number/percent	LOANS TO MODERATE-INCOME BORROWERS number/percent	LOANS TO MIDDLE-INCOME BORROWERS number/percent	LOANS TO UPPER-INCOME BORROWERS number/percent
Consumer Real Estate	1/2%	6/10%	9/15%	45/74%
Consumer Installment	13/22%	13/22%	16/28%	16/28%

As the preceding chart illustrates, approximately 12% of consumer real estate and 44% of

consumer installment loans sampled were to low- and moderate-income borrowers. Management stated that the comparatively low level of consumer real estate lending to low- and moderate-income borrowers is due, in part, to the recreational aspects of the community. Higher income borrowers who maintain primary residences outside of the Clear Lake area generally finance the purchases of vacation homes through the bank. The bank also attempts to satisfy its CRA obligations by offering government insured loans. Since the previous examination, the bank has made 11 Farmers Home Administration (FmHa) government-guaranteed loans through Iowa Bankers Mortgage, totaling \$479,146.

The bank's commercial and agricultural loan portfolios were reviewed to assess the bank's level of lending to small farms and small businesses. Small business loans are defined as those with original amounts of \$1 million or less. Small farm loans are defined as those with original amounts of \$500,000 or less. A portfolio analysis (as of April 8, 1997) revealed that 570 of 591 commercial loans (96%) were originated for amounts of \$1 million or less and 238 of 252 farm loans (94%) were originated for amounts of less than \$500,000.

In addition to conventional commercial credit products, the bank offers government-guaranteed loans through the Small Business Administration (SBA). Since the previous examination, the bank has originated 2 SBA loans, totaling \$335,000. The bank's SBA portfolio consists of 8 loans totaling \$508,000.

Given the makeup of the community, involvement in government-guaranteed lending programs, and level of lending, the bank exceeds the standards for satisfactory performance under this criterion.

### **Geographic Distribution of Loans**

There are no low- or moderate-income geographies within the bank's assessment area; therefore, this criterion is not rated.

### **Response to Complaints**

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