



Comptroller of the Currency
Administrator of National Banks

Small Bank

Public Disclosure

September 15, 1998

Community Reinvestment Act Performance Evaluation

**First National Bank
Charter Number 15623**

**1123 B Street
Schuyler, Nebraska 68661**

**Office of the Comptroller of the Currency
Omaha South Field Office
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Note: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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 operation 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 National Bank** prepared by The Office of the Comptroller of the Currency, as of **September 15, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "**Satisfactory.**"

First National Bank maintains a strong loan to deposit ratio. The bank does a reasonable job of lending to farms of different sizes and does a good job lending to borrowers of different income levels.

Description of Institution

First National Bank (FNB) is an \$84MM institution located in east central Nebraska. The bank is a subsidiary of FNS, Inc., a one-bank holding company. FNB's main office and drive-through are located in Schuyler. Additionally, the bank has full service branches located in Albion, Nebraska (59 miles northwest of Schuyler) and Howells, Nebraska (21 miles north of Schuyler). The bank also maintains a deposit-taking Automated Teller Machine (ATM) in Schuyler and two cash-dispensing ATMs, in Schuyler and Albion. Loans represent 74% of total bank assets. The bank is primarily an agricultural lender, with 65% of its loans for agricultural purposes. The remainder of the portfolio is vested in commercial loans (15%), residential real estate loans (12%), and consumer and other loans (8%).

Loan and deposit competition comes from several other financial institutions operating in communities throughout the assessment area. Of the nine banks chartered in the assessment area, FNB is the largest, based on both total assets and deposit market share. The average asset size of the banks in the assessment area is \$39MM, compared to FNB's total assets of \$84MM. There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to comply with the Community Reinvestment Act. The OCC previously rated the bank's CRA performance "Outstanding" at our August 11, 1995 examination.

Description of Assessment Area

FNB's assessment area consists of Boone and Colfax Counties, both located in east central Nebraska. Neither of the counties are within a Metropolitan Statistical Area. Schuyler is the county seat of Colfax County. The assessment area includes all of the bank's branches and ATMs. The assessment area contains five Block Numbering Areas (BNAs), all designated middle income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- and moderate-income areas.

The bank's assessment area is a rural area with several small communities. According to 1990 census information, 15,806 people reside in the assessment area with 4,052 individuals in Schuyler and the remaining population split among 13 small towns and the surrounding countryside. The 1990 census revealed that the median family income for the assessment area is \$26,690 compared to the statewide nonmetropolitan median family income of \$27,623. Updated HUD statewide median family income for 1998 is \$39,300. The distribution of families by income level for the assessment area is as follows: low income 16%, moderate income 20%, middle income 31%, and upper income 33%. Nine percent of families in the assessment area are below the poverty level. According to the 1990 census, the median housing value in the assessment area is \$31,256 and 66% of housing is owner occupied.

The local economy is heavily dependent on agriculture and its related industries. Major non-farm

employers in the area include a large meatpacking plant, a hog equipment wholesaler, and the local hospital. Community contacts were concerned about the current low farm commodity prices and their potentially negative effect on the local economy. Contacts indicated that agricultural credit and home loans are the primary credit needs in the community. FNB makes both of these types of loans. Contacts also indicated that more housing is needed in Schuyler. As the meatpacking plant has expanded its operations, the population of Schuyler has grown significantly over the past several years. Examiners contacted a local realtor during this examination and also reviewed five contacts conducted by the OCC and other regulatory agencies at recent examinations in the assessment area. These contacts were with two local government officials and three local businesspeople located throughout the bank's assessment area.

Conclusions with Respect to Performance Criteria

Lending to Businesses of Different Sizes and Borrowers of Different Incomes

FNB does a reasonable job of lending to farms of different sizes. We reviewed a sample of 28 agricultural loans totaling \$16,295M to determine the bank's lending to farms of different sizes. Our sample represented approximately 40% of the bank's agricultural loan volume and consisted of loans originated since the last CRA examination. Demographic data from the 1992 Agricultural Census reveals that most of the farms in the bank's assessment area are small, with revenues less than \$250M. Our sample revealed that FNB lends to farm operations of different sizes. Gross revenues of borrowers in our sample ranged from \$30M to \$2.6MM. However, most of the bank's lending is to larger farms, with gross revenues of \$250M or more. This is reasonable because, as discussed in the **Description of Institution** section, FNB is the largest bank in the assessment area; it is more than twice the size of many of the other banks in the assessment area. It is reasonable that larger banks will lend to larger farm operations. Data collected in our sample is displayed in the following table.

Lending to Agricultural Borrowers					
Gross Revenues (000s)	% of farms in AA	# of loans	%	\$ volume of loans (000s)	%
Less than \$100	67%	2	7%	\$324	2%
\$100 to \$249	23%	7	25%	\$3,298	20%
\$250 to \$499	6%	12	43%	\$5,668	35%
\$500 or greater	4%	7	25%	\$7,005	43%
TOTALS	100%	28	100%	\$16,295	100%

Because community contacts also indicated a need for housing loans, we reviewed a sample of residential real estate loans to assess the bank’s lending to borrowers of different incomes. Our sample included 38 loans totaling \$1,030M. The sample represents approximately 15% of FNB’s residential real estate loan volume and consists of loans originated from July 1995 to September 1998. Our sample revealed that the bank does a very good job of making home loans to low and moderate income borrowers in the bank’s assessment area. Results of our sample are displayed in the following table.

Lending to Residential Real Estate Borrowers					
Income Level	% of families in AA	# of loans	%	\$ volume of loans (000s)	%
Low	16%	6	16%	\$82	8%
Moderate	20%	11	29%	\$253	24%
Middle	31%	15	39%	\$462	45%
Upper	33%	6	16%	\$233	23%
TOTALS	100%	38	100%	\$1,030	100%

Loan to Deposit Ratio

The bank maintains a strong loan to deposit ratio. Over the last 12 quarters, the bank’s loan to deposit ratio averaged 81%. The bank’s ratio compares favorably to the other eight community banks chartered in the assessment area. FNB ties with one of its competitors for the highest loan to deposit ratio during this timeframe. The ratios of the banks in the assessment area range from 58% to 81% and average 70%.

Lending in Assessment Area

The bank extends the vast majority of agricultural and residential real estate loans to borrowers within the assessment area. We sampled loans to 32 agricultural borrowers totaling \$17,467M, which represents 43% of the bank’s total agricultural loans. We found that 93% of the loans by dollar volume and 87% of the loans by number were to borrowers located within the assessment area. We also sampled 45 residential real estate loans totaling \$1,194M, which represents 17% of the bank’s total residential real estate loans. We found that 86% of the loans by dollar volume and 84% of the loans by number were to borrowers located within the bank’s assessment area.

Geographic Distribution of Loans

We did not assess the reasonableness of loans distributed within the bank's assessment area because the entire area is fully designated as middle income.

Response to Complaints

The bank has not received any complaints regarding its CRA performance.

The bank is in compliance with anti-discrimination laws and regulations. Our review did not disclose any substantive violations of the Fair Lending laws. We did not note any practices intended to discourage applicants for the types of credit the bank offers.