

Public Disclosure

November 29, 1999

Community Reinvestment Act Performance Evaluation

**The First National Bank of Fairbury, N.A.
Charter Number 2994**

**423 Fifth Street
Fairbury, Nebraska 68352**

**Office of the Comptroller of the Currency
Omaha South Field Office
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154**

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 **The First National Bank of Fairbury, N.A.** prepared by The Office of the Comptroller of the Currency, as of **November 29, 1999**. 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*.

The First National Bank of Fairbury, N.A. (FNB) adequately meets the credit needs of its assessment area. The bank's primary lending activities are centered on agricultural and consumer borrowers.

- FNB has an adequate record of lending to agricultural borrowers of different sizes and an excellent record of consumer lending to individuals of different income levels.
- FNB's record of originating loans within the assessment area is good.
- FNB's loan-to-deposit ratio is reasonable given the demographics of the assessment area.

Description of the Institution

FNB is a \$96 million financial institution located in southeast Nebraska. FNB is a subsidiary of First National Fairbury Corporation, a one-bank holding company located in Fairbury, Nebraska. FNB has a main office and two deposit-taking branches located in the town of Fairbury. The bank also maintains three cash-dispensing automated teller machines (ATMs) and one full service ATM in Fairbury. FNB's net loans and leases totaled 28% of total assets as of September 30, 1999. The bank is primarily an agricultural lender. The following chart displays FNB's loan portfolio composition as of September 30, 1999.

Loan Portfolio Composition				
Loan Type	# of Notes	% of # of Notes	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
Agriculture	367	25%	14,192	49%
Commercial	76	5%	3,645	13%
Residential Real Estate	248	17%	5,176	18%
Consumer	768	52%	4,343	15%
Other	7	1%	1,509	5%
Total	1,466	100%	28,865	100%

FNB received a "Satisfactory" rating during the September 30, 1996 CRA examination. There are not any legal or financial factors that impede the bank's ability to help meet the credit needs of the assessment area.

Description of the Assessment Area

FNB has designated all of Jefferson County, which is composed of three block numbering areas (BNAs), as its assessment area. All three of the BNAs are designated as middle-income. Jefferson County is not within a Metropolitan Statistical Area. The assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

According to 1990 U.S. Census Data, 8,759 people reside in the assessment area with 4,335 located in the community of Fairbury. The inflation-adjusted 1999 median family income is \$39,800 for nonmetropolitan statistical areas in Nebraska. The distribution of families by income level for the assessment area is as follows: low-income 17%, moderate-income 19%, middle-income 30%, and upper-income 34%. Eight percent of families in the assessment area are below the poverty level. Twenty-four percent of the population in the assessment area are over 65 years of age, and 26% of the population are under the age of 16. The median housing value in the assessment area is \$20,257, and 67% of housing is owner-occupied.

The local economy is dependent upon agriculture and its related industries. Light industry and small manufacturing companies provide some economic diversity. The major employers in the area include Swingster Jackets, Endicott Clay Products, Fairbury Food Products, and various government, education, and medical facilities. Unemployment in the assessment area is low at 1.8% based on September 1999 information from the Nebraska Department of Labor. Competition for financial services is strong in the assessment area. One other financial institution, which has \$22 million in assets, is chartered in the assessment area. Five nonlocal financial institutions also operate branches in the assessment area.

Examiners conducted two community contacts during this CRA examination and reviewed one other community contact conducted previously in the assessment area. The community contacts included a trade association and a community development organization, which deals primarily with programs designed to assist low- and moderate-income families. Discussions with the community contacts revealed small business credit and agriculture as the primary credit needs of the community. FNB offers and originates these types of loans. Both members of the community contacted at this examination noted that FNB is actively involved in the community.

Conclusions with Respect to Performance Criteria

Lending to Farms of Different Sizes and Individuals of Different Income Levels

FNB has an adequate record of lending to agricultural borrowers of different sizes. We reviewed a sample of 20 agricultural loans totaling \$3.7 million to determine the bank's lending to farms of different sizes. All of the loans in this sample were made to farms located within the bank's assessment area and were originated since the last CRA examination. The bank has done an adequate job of lending to agricultural borrowers of different sizes. All of the loans in the sample were made to borrowers with gross annual revenues of less than \$500 thousand. Sixty-five percent of the bank's lending was to smaller operations with less than \$250 thousand in gross annual revenue. Demographic data shows that the vast majority of farm operations in the assessment area have gross revenues of less than \$250 thousand. The following table shows the number, dollar volume, and corresponding percentages of the agricultural loan sample.

Agricultural Borrowers Sample					
Gross Annual Revenue (in 000s)	% of Farms in AA^Ø	# of Loans	% of # of Loans	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
less than \$100	70%	4	20%	482	13%
\$100 - \$249	20%	9	45%	1,777	48%
\$250 - \$499	7%	5	25%	1,393	38%
more than \$500	3%	0	0%	0	0%
Unknown*	0%	2	10%	20	1%
Total	100%	20	100%	3,672	100%

^ØInformation from 1997 Census of Agriculture.

*Unknown: some small agricultural borrowers were not required to report current gross annual revenues.

FNB has a satisfactory record of lending to individuals of different income levels for residential real estate loans. We sampled 21 residential real estate loans totaling \$678 thousand to determine the bank's lending to individuals of different income levels. All of the loans in this sample were made to individuals located within the bank's assessment area and were originated since the last CRA examination. A community contact familiar with housing trends in the assessment area stated that many low- and moderate-income individuals and families in the assessment area rent housing, due to the large number of homes in the assessment area that are purchased by investors. Given this information, the bank's residential real estate lending to low- and moderate-income borrowers compares reasonably to the assessment area demographics. The table on the following page shows the number, dollar volume, and corresponding percentages of the residential real estate loan sample.

Residential Real Estate Borrowers Sample					
Income Level	% of Families in AA^Ø	# of Loans	% of # of Loans	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
Low-	17%	2	10%	11	2%
Moderate-	19%	3	14%	39	6%
Middle-	30%	6	29%	271	40%
Upper-	34%	10	47%	357	52%
Total	100%	21	100%	678	100%

^ØInformation from 1990 US Census.

FNB has an excellent record of lending to individuals of different income levels for consumer loans. We sampled 21 consumer loans totaling \$124 thousand to determine the bank's lending to individuals of different income levels. All of the loans in this sample were made to individuals located within the bank's assessment area and were originated since the last CRA examination. The bank has done a very good job of lending to low- and moderate-income borrowers. The results of our sample compare very favorably to the demographic data. The following table shows the number, dollar volume, and corresponding percentages of the consumer loan sample.

Consumer Borrowers Sample					
Income Level	% of Families in AA^Ø	# of Loans	% of # of Loans	\$ Volume of Loans (in 000s)	% of \$ Volume of Loans
Low-	17%	17	65%	56	45%
Moderate-	19%	7	27%	59	48%
Middle-	30%	1	4%	1	1%
Upper-	34%	0	0%	0	0%
Unknown*	0%	1	4%	8	6%
Total	100%	26	100%	124	100%

^ØInformation from 1990 US Census.

*Unknown: one borrower did not report income on the application.

Lending in the Assessment Area

FNB's record of originating loans within the assessment area is good. FNB originates the majority of its agricultural, residential real estate, and consumer loans to borrowers within the assessment area. We sampled 27 agricultural loans, 24 residential real estate loans, and 30 consumer loans originated since the last CRA examination. The following table shows the number, dollar volume, and corresponding percentages of loans originated inside and outside the assessment area.

Lending in the Assessment Area								
Type of Loan	Inside Assessment Area				Outside Assessment Area			
	Number	Percent	Dollar	Percent	Number	Percent	Dollar	Percent
Agriculture	20	74%	3,671,880	72%	7	26%	1,403,512	28%
Residential Real Estate	21	88%	678,550	92%	3	12%	56,800	8%
Consumer	26	87%	124,141	95%	4	13%	6,450	5%

Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio is reasonable given the demographics of the assessment area. The bank's loan-to-deposit ratio averaged 36% over the last 13 quarters. The demographics of the assessment area contribute to the bank's lower loan-to-deposit ratio. Half of the assessment area's population is either not of legal age or retired and on a fixed income, which limits loan demand in the assessment area. The only other financial institution chartered in the assessment area, which is significantly smaller than FNB with total assets of only \$22 million as of September 30, 1999, had an average loan-to-deposit ratio of 61% over the same time period. The other financial institution is located approximately 20 miles from Fairbury in the northwest corner of Jefferson County. It also draws its loan volume from the adjacent three counties.

Geographic Distribution of Loans

Specific analysis of the geographic distribution of loans is not meaningful. FNB's assessment area contains three BNAs, which are all designated as middle-income.

Response to Complaints

The bank has not received any complaints regarding its CRA performance since the last CRA examination dated September 30, 1996.

Record of Compliance with Anti-discrimination Laws

We did not identify any violations of anti-discrimination laws. Our fair lending review consisted of analyzing rates and terms granted to all individual female and all individual male borrowers for personal loans secured by automobiles from July 1, 1999 through November 30, 1999. We did not find any practices intended to discourage applicants for the types of credit the bank offers.