



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 17, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Logan  
Charter Number 6771**

**323 East 7th Street  
Logan, Iowa 51546**

**Comptroller of the Currency  
Omaha North Field Office  
13710 FNB Parkway, Suite #110  
Omaha, Nebraska 68154**

**NOTE: This document is an evaluation of this 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. 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.**

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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

The First National Bank of Logan (FNBL) adequately meets the credit needs of the community.

- The sampling process, discussed further in this Performance Evaluation, showed a substantial majority of the loans originated are within the bank's assessment area.
- In addition, loan originations are reasonably distributed to borrowers of different income levels, and to farms and businesses of different sizes.

## DESCRIPTION OF INSTITUTION

FNBL is a \$26 million financial institution located in western Iowa. The main office is a full-service facility located in downtown Logan, Iowa. The bank operates a drive-up/walk-in facility and an automated teller machine in downtown Logan. Logan Bancorporation, Inc., a one-bank holding company, owns 100% of the bank stock and is also located in Logan, Iowa. The primary asset of the holding company is FNBL, and there are no other significant subsidiaries or affiliates. There are no legal or financial circumstances that could impede the bank's ability to meet the community credit needs.

As of December 31, 2002, FNBL's loan portfolio comprised 56% of the average total assets. The primary credit products are agriculture, commercial, and consumer loans. The table below shows the percentage of loan categories by dollar amount outstanding and by the number of loans originated.

<b>LOAN PRODUCTS</b>	<b>% OF ORIGINATED DOLLARS</b>	<b>% OF ORIGINATED # OF LOANS</b>
Agriculture/Farmland	64%	38%
Commercial/Commercial RE	22%	24%
Consumer Installment	4%	30%
Other Loans	10%	8%

FNBL was rated "Satisfactory Record of Meeting Community Credit Needs" at the last CRA examination dated February 9, 1998.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is all of Harrison county. The AA includes five block numbering areas (BNAs), all of which are considered middle-income tracts, and the AA meets

the requirements of CRA. Individuals can refer to the CRA public file for a map outlining the bank's AA.

According to the 1990 U.S. Census, the population of the AA is 14,730. The 2002 weighted average updated median family income is \$49,400 for non-metropolitan statistical areas in Iowa. Family income in the AA includes 26% low-income, 16% moderate-income, 21% middle-income, and 37% upper-income. Households within the AA below the poverty level totals 15%. The median housing value in the AA is \$32,959, and 68% of housing is owner-occupied. The area economy is reasonably stable with the main sources of employment provided by retail, industrial, and farming.

Examiners made one community contact during this CRA examination. This was a new contact, and the individual represented a local business and labor group. Discussions with the contact revealed the primary credit needs as small business and agriculture. FNBL offers and originates these types of loans.

Competition includes two state banks headquartered within the AA, with asset sizes between \$54 million and \$60 million. Additionally, competition stems from two larger community banks and three regional banks with branch locations within the AA.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

FNBL's average loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio averaged 63% over the past twenty quarters and was 68% at December 31, 2002. The twenty-quarter average for the two banks headquartered within the AA with similar products and services ranged from 66% to 105%, with an average of 86%. FNBL has a slightly lower average LTD ratio for the bank headquartered in the AA that compares most closely to FNBL's operating practices. The other bank headquartered in the AA uses a different funding strategy, which causes a higher LTD ratio and increases the AA average for the time period analyzed.

### **Lending in Assessment Area**

FNBL originates a substantial majority of its loans within the AA. We reviewed a sample of originated loans from the three primary product types to determine the lending within the AA. The sample was selected from loans originated since January 1, 2001. The following table summarizes the findings from the sample.

<b>ASSESSMENT AREA CONCENTRATION</b>				
	<b># of Loans</b>	<b>% of Total #</b>	<b>\$ of Loans</b>	<b>% of Total \$</b>
Inside the AA	18	90%	\$760,722	99%
Outside the AA	2	10%	\$ 5,000	1%
<b>TOTALS</b>	<b>100</b>	<b>100%</b>	<b>\$765,722</b>	<b>100%</b>

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

FNBL has a good record of lending to borrowers of different income levels. We reviewed 20 consumer installment loans totaling \$146,682 to determine the bank's performance in this area. All of the loans in the sample were made to borrowers located within the bank's AA and were originated since January 1, 2001. FNBL originated 85% of the number and 72% of the dollar of loans to low- and moderate-income borrowers, while only 42% of the AA households are low- or moderate-income. Lending levels, given the demographics of the AA, reflect good penetration among individuals of different income levels. The table below demonstrates the breakdown of loans to individuals as compared to the household demographics of the AA.

<b>LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS</b>					
<b>Income Level</b>	<b># of Loans</b>	<b>% of Total #</b>	<b>\$ of Loans</b>	<b>% of Total \$</b>	<b>% of Households in the AA<sup>1</sup></b>
Low	9	45%	\$38,807	26%	26%
Moderate	8	40%	\$67,425	46%	16%
Middle	1	5%	\$ 950	1%	21%
Upper	2	10%	\$39,500	27%	37%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$146,682</b>	<b>100%</b>	<b>100%</b>

The bank has a satisfactory record of lending to agricultural borrowers of different sizes. All of the loans in the sample for this loan product are to farms located within the AA and originated since January 1, 2001. A majority of the number of loans originated and dollar amount originated were to smaller operations that had gross annual revenue less than \$250,000. The following table summarizes the number, dollar volume, and corresponding percentages of the agricultural loan sample.

<b>LOANS TO FARMS OF DIFFERENT SIZES</b>					
<b>Gross Revenue of Farms</b>	<b># of Loans</b>	<b>% of Total #</b>	<b>\$ of Loans</b>	<b>% of Total \$</b>	<b>% of Farms in AA<sup>2</sup></b>
\$0 - \$100,000	6	30%	\$ 212,106	12%	63%
\$100,001 - \$250,000	10	50%	\$1,054,911	60%	23%
\$250,001 - \$500,000	4	20%	\$ 504,000	28%	9%
Over \$500,000	0	0%	\$ 0	0%	5%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$1,771,017</b>	<b>100%</b>	<b>100%</b>

1 Data Source: 1990 Census.

2 Data Source: 1997 Census of Agriculture.

The bank has an excellent record of lending to businesses with revenues less than \$1 million. We reviewed a sample of 20 commercial loans to determine the bank's lending to small businesses. All of the loans in the sample were made to businesses located within the bank's AA and were originated since January 1, 2001. All of the loans in the sample were made to businesses with less than \$1 million in gross annual revenue. The following table summarizes the number, dollar volume, and corresponding percentages of the commercial loan sample.

<b>LOANS TO BUSINESSES OF DIFFERENT SIZES</b>					
<b>Gross Revenue of Businesses</b>	<b># of Loans</b>	<b>% of Total #</b>	<b>\$ of Loans</b>	<b>% of Total \$</b>	<b>% of Businesses in AA<sup>3</sup></b>
\$0 - \$1,000,000	20	100%	\$621,403	100%	94%
Over \$1,000,000	0	0%	0	0%	6%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$621,403</b>	<b>100%</b>	<b>100%</b>

### **Geographic Distribution of Loans**

All BNA's in the AA are middle-income. Therefore, specific analysis of geographic distribution is not meaningful.

### **Responses to Complaints**

The bank has not received any complaints regarding CRA performance since the previous CRA examination dated February 9, 1998.

### **Fair Lending Review**

An analysis of the 1999 to 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on the analysis of this information, the OCC decided a comprehensive fair lending examination would not need to be conducted in connection with this CRA performance evaluation.

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<sup>3</sup> Data Source: 2002 Business.