



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

December 13, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Wahoo
Charter Number 2780**

**201 East Fifth Street
Wahoo, Nebraska 68066**

**Office of the Comptroller of the Currency
Omaha South 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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The First National Bank of Wahoo (FNB) has a satisfactory record of lending to farms of different sizes.

The distribution of agricultural borrowers reflected satisfactory penetration among farms of different sizes. The U.S. Census Bureau's 2002 Census of Agriculture reveals that 83% of the farms in the bank's Assessment Area (AA) are small, with revenues of less than \$100 thousand. Based on 20 borrowers sampled, the bank does a satisfactory job of lending to these small farms, and the bank's distribution of loans to farms with different revenues was comparable to demographic information on farms located in the AA.

- FNB has an adequate record of lending to residential real estate borrowers of different income levels.

The distribution of residential real estate borrowers reflected adequate penetration among borrowers of different income levels. The table on the following page depicts the bank's residential real estate lending, based on a sample of 60 loans originated in 2001 and 2002. The table shows the bank's lending to low-to moderate-income borrowers is lower than AA demographics. However, examiners identified mitigating factors that explain the bank's lower penetration in these income categories.

In order to be considered low or moderate income, applicants would have annual incomes of less than \$22,899 or \$36,639, respectively. The 1990 Census lists the median cost of housing in the entire AA at \$32,499. However, the bank originates a majority of its residential real estate loans in Saunders County, Nebraska with the vast majority made in the town of Wahoo. This resulted in 83% of the loans sampled being located in Saunders County, with 60% of those located in Wahoo. Housing costs in Wahoo far exceed the median housing cost of the entire AA.

The higher housing prices in Wahoo make it difficult for low-income borrowers to qualify for even the lowest priced houses. A member of the community who is familiar with the local housing market stated that the current price of existing starter homes in Wahoo is \$75,000 due to the town's close proximity to Lincoln and Omaha. In addition, 13% of families in the bank's AA are living below the poverty level, leaving only 3% of low-income families above the poverty level. Furthermore, while starter homes in Wahoo are \$75,000, the average cost of a home in Wahoo is much higher.

Historical homes sales in the town of Wahoo obtained from the County Assessors Office show that the average cost of housing was \$107,660 during the sampling period. This average housing price makes it difficult for a moderate-income borrower to qualify for a home in Wahoo. Finally, contact with a local realtor indicates that currently just 12% of

the homes listed in Wahoo are under \$100,000, which is approximately the maximum price a moderate-income borrower could qualify for. The realtor stated this low percentage of housing available for under \$100,000 is common in Wahoo.

Borrower Distribution of 60 Sampled Residential Real Estate Loans in Assessment Area								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential RE	16	8	20	8	28	38	36	45

Source: Sample of loans originated in 2001 and 2002; 1990 U.S. Census data.

Discussions with bank management indicate they work diligently to provide home loans to low-to moderate-income individuals. Per management, FNB is the only bank in Saunders County that offers Nebraska Investment Finance Authority, Federal Housing Administration, Veteran Affairs and Guaranteed Rural Housing Development loans. Management stated they work closely with local realtors to ensure low-to moderate-income homebuyers are made aware that FNB offers these products. Further, management said they advertise each spring in the newspaper and send out mailings to all AA residents that state the bank offers these types of programs.

- The bank originated a majority of its loans in the AA. For agricultural and residential real estate loans sampled, the bank originated 78% by number and 65% by dollar amount in the AA.
- FNB’s average loan-to-deposit ratio since the last examination was strong. It averaged 102% over the past 20 quarters, and exceeded the ratios of the vast majority of similarly situated banks in the AA. Competing banks’ ratios ranged from 62% to 104%, with an average of 83%.
- A geographic analysis of the bank’s lending was not meaningful, as the AA consists of only middle-income geographies.
- The bank did not receive any complaints about its performance in helping to meet AA credit needs during the evaluation period.
- We found no evidence of illegal discrimination or other illegal credit practices.

DESCRIPTION OF INSTITUTION

FNB is an \$87 million institution located in east central Nebraska. The bank also has branches in Sterling and Burchard, which are situated in Southeastern Nebraska. FNB has two Automated Teller Machines, which are located in Wahoo and Sterling. The bank’s primary loan products by dollar amount were agricultural and residential real estate loans. FNB received a “Satisfactory” rating at the last Community Reinvestment Act (CRA) examination, dated November 22, 1999. There are no legal or financial factors that impede the bank’s ability to help meet the credit needs

of the AA. Examiners contacted a local realtor to determine the needs of the AA. The individual indicated that community credit needs are being met. Refer to the bank's CRA Public File for more information.

DESCRIPTION OF ASSESSMENT AREA

The bank has designated two AAs. The first encompasses three contiguous census tracts (CT) located in Saunders County, Nebraska and the second includes three contiguous CTs located in Pawnee and Johnson Counties, Nebraska. We combined the AAs for purposes of evaluating CRA performance because the AAs were geographically proximate and had similar performance contexts. The bank's AAs meet the requirements of the regulation and do not arbitrarily exclude any low- and moderate-income areas. The six CTs that comprise the AA are all designated middle-income. Refer to the bank's CRA Public File for more information.