



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 3, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Security National Bank, Laurel, Nebraska
Charter Number 13182
202 East 2nd Street
Laurel, Nebraska, 68745**

**Office of the Comptroller of the Currency
117 Pierce Street, Suite 100
Sioux City, Iowa 51101**

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 Community Reinvestment Act (CRA) performance of **Security National Bank, Laurel, Nebraska**, prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of February 3, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

The bank's overall lending level is more than reasonable given the institution's size, financial condition, and assessment area credit needs. A substantial majority of the bank's loan originations are within its assessment area. The lending distribution to agricultural borrowers reflects excellent penetration among farms of different sizes. The lending distribution also reflects excellent penetration among consumers of low and moderate incomes. Management makes consumer loans of various sizes to consumers across all income levels.

Management identified a need for residential real estate loans since the last CRA examination and have made significant efforts, through new products and loan originations, to meet this need. They were instrumental in obtaining grant money aimed at providing low and moderate income individuals with down payment assistance to purchase a home. Examiners found no substantive violations of the anti discrimination laws and regulations as a result of the fair lending review.

The following table indicates the performance level of Security National Bank, Laurel, Nebraska with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Security National Bank, Laurel, Nebraska</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Farms/Bus. of Different sizes	X		
Geographic Distribution of Loans	Analysis not meaningful since assessment area BNA's are all middle income.		
Response to Complaints	No written CRA complaints received by bank management.		

DESCRIPTION OF INSTITUTION

Security National Bank, Laurel, Nebraska's (SNB's) financial condition, asset size, and product offerings do not limit its ability to meet the community's credit needs. SNB is owned by First Laurel Security Company, a two-bank holding company with total assets of \$66 million.

SNB's main bank and one automated teller machine (ATM) are located in Laurel, NE. The main bank includes a drive-up facility with extended hours. A branch is located in nearby Allen, NE. As of December 31, 1996, SNB had \$39.6 million in total assets. Loans totaling \$24.6 million represent 62% of total assets as of the same date. The bank's credit products based on outstanding loan volume as of December 31, 1996, are agricultural (74%), residential real estate (12%), consumer (7%), and commercial (7%). The bank's primary credit product by dollar volume is agricultural and the primary product by number of loans is consumer.

SNB received a Satisfactory Record of Meeting the Community Credit Needs after the March 9, 1994 CRA examination.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area (AA) consists of four Block Numbering Areas: 9771, 9772, 9776, and 9777. Together, they make up all of Cedar and Dixon Counties in Nebraska. Individuals can refer to the CRA Public File for a map of the bank's AA.

The AA has a population of 16,274. The HUD 1996 Nebraska statewide non metropolitan median family income is \$35,100. The entire AA is middle-income. Household incomes within the AA are 26% low (\$17,550 and below), 18% moderate (\$17,551 to \$28,080), 22% middle (\$28,081 to \$42,120), and 34% upper-income (\$42,121 and greater). The local economy focuses primarily on agriculture.

Examiners considered comments from two local community contacts. These local business people expressed positive comments regarding SNB's involvement in the local community. The contacts felt the primary credit needs of the local community focus around agriculture, but there are also needs for consumer and small business loans. Both contacts felt SNB does a good job in helping meet these local credit needs. One contact specifically praised SNB's Allen, NE branch for their efforts in meeting the consumer credit needs of that area. This contact also expressed very positive comments about SNB's efforts in making residential real estate loans.

The bank's primary competition comes from one other AA bank and Farm Credit Services according to SNB management. The other AA bank has total assets of \$21 million and offers comparable agricultural and non-residential loans. Farm Credit Services competes primarily for agricultural customers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

SNB's overall lending level is more than reasonable given the bank's size, financial condition, assessment area (AA) credit needs, and comparison to other banks within the AA. During the eleven quarters since the last CRA examination, SNB's net loan to deposit ratio ranged from 67% to 81%, resulting in a 74% average.

Examiners reviewed six other similarly-situated AA community bank's net loan to deposit ratios, including the bank's primary competitor mentioned above. The net loan to deposit ratios for the six banks ranged from 36% to 86% over the same time period, resulting in an average of 58%.

SNB's 74% average loan to deposit is significantly higher than the 58% average of the other six AA banks. This 16% higher average loan to deposit ratio clearly demonstrates management's commitment and willingness to lend for community credit needs.

Lending In Assessment Area

A substantial majority of SNB's loans are within its AA. Examiners and management sampled the three primary credit products; agricultural, residential real estate, and consumer loans. The sample consisted of 62 agricultural, 39 residential real estate, and 68 consumer loans. The results show 91% of SNB's outstanding loans by number and 93% by dollar volume are inside the AA. The sample reflects SNB's successful efforts to extend credit to individuals within the AA.

Lending to Borrowers of Different Incomes and Farms/Businesses of Different Sizes

The lending distribution to agricultural borrowers reflects excellent penetration among farms of different sizes.

Examiners sampled the bank's primary credit product, agricultural loans. Examiners sampled 30 loans and management sampled an additional 32 loans. The results of this sample reflect management's willingness to lend to farms of different sizes. Examiners verified the reasonableness of the gross revenue categories in the table with a local representative knowledgeable of farmer income levels. The following table reflects the gross revenue levels and dollar volume of total loans outstanding to the 62 sample agricultural customers.

Gross Farm Revenue Levels	\$ amount outstanding	% of sample \$	# of loans	% of sample #
\$0 - \$100,000	1,892,941	33%	38	61%
\$100,001 - \$250,000	2,198,372	38%	17	27%
\$250,001-\$500,000	1,481,099	26%	6	10%

\$500,001 and over	155,500	3%	1	2%
TOTALS	5,727,912	100%	62	100%

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA
(Continued)**

Lending to Borrowers of Different Incomes and Farms/Businesses of Different Sizes (contd.)

The lending distribution also reflects excellent penetration among consumers of low and moderate incomes. Management makes consumer loans of various sizes to consumers across all income levels with no regard to minimum dollar amount. Examiners determined customer income level breakdowns from this sample.

The sample lending distribution reflects well above average loan originations to low and moderate income customers when compared to the assessment area income level distribution. The table below reflects a summary of the consumer loan sample.

Income Level of Sampled Loans	# of loans	% of sample #	\$ of loans	% of sample \$	% of AA population
Low	18	26%	59,325	23%	26%
Moderate	21	31%	65,359	25%	18%
Middle	20	29%	77,073	29%	22%
Upper	9	13%	59,073	23%	34%
TOTALS	68	100%	261,460	100%	100%

Management also identified a need for consumer residential real estate loans since the last CRA examination. They continue to strive to meet this AA credit need. Since January 1, 1995, the bank originated at least two-thirds (111) of their existing residential mortgage loans.

They now offer two new long-term fixed rate mortgage loan products through the Farmers Home Administration (FmHA) and First Commerce Mortgage Corporation. They began offering a new adjustable rate mortgage (ARM) during the last CRA examination in addition to their standard three-year balloon mortgage. The volume of ARM loans continues to grow.

SNB continues to make efforts to meet the residential real estate needs of low and moderate income customers. The new FmHA loans require low down payments and reasonable interest rates. In addition, management was instrumental in assisting the Allen community in obtaining a Community Development Block Grant for \$75,000 in 1995. These funds remain in the local community and are lent to low and moderate income individuals at subsidized interest rates for the down payment to purchase their homes.

Geographic Distribution of Loans

Examiners did not conduct an analysis of the geographic loan distribution within the assessment area since all four BNA's are middle income.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA
(Continued)**

Response to Complaints

The bank received no written complaints related to its performance under CRA.

Fair Lending Review

Examiners found no substantive violations of the anti discrimination laws and regulations as a result of the fair lending review.