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Comptroller of the Currency  
Administrator of National Banks

Small Bank

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## **Public Disclosure**

**January 6, 1999**

### **Community Reinvestment Act Performance Evaluation**

**The First National Bank of Utica  
Charter Number 8811**

**785 D Street  
Utica, Nebraska 68456**

**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 Utica**, prepared by The Office of the Comptroller of the Currency, as of January 6, 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.

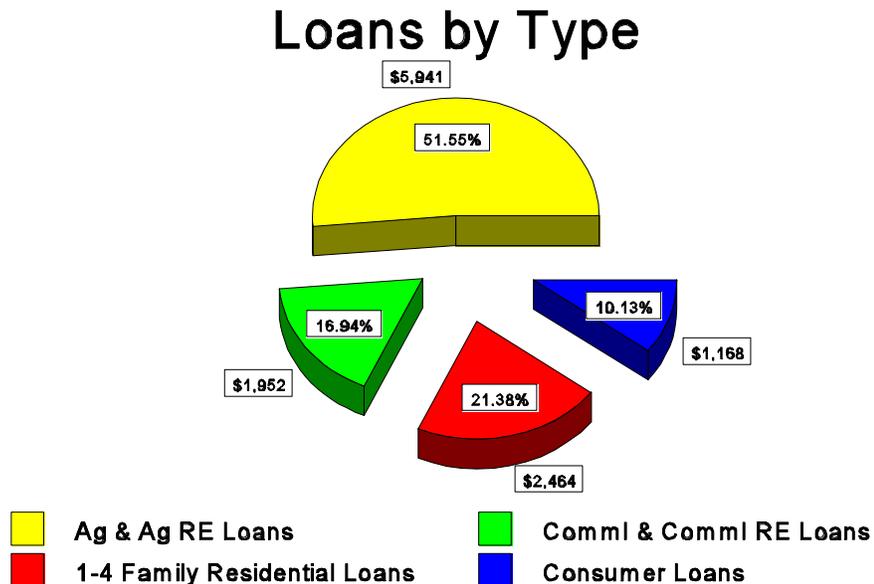
**Institution's CRA Rating:** This institution is rated "**Satisfactory.**"

The First National Bank of Utica is actively meeting the credit needs of its community. The lending efforts of the bank appropriately penetrate all income segments within the assessment area. The bank's loan-to-deposit ratio is at a reasonable level, which reflects the lending staff's commitment to providing credit to the community. A majority of loans are made to customers within its assessment area.

## DESCRIPTION OF INSTITUTION

The First National Bank of Utica (FNBU) is a \$19 million bank headquartered in Utica, Nebraska. It is the third largest of the three financial institution offices and branches located in the two county assessment area. We determined this June 30, 1997 ranking by comparing deposits reported by the Federal Deposit Insurance Corporation. Refer to the assessment area section for a detailed description of the bank's assessment area. The bank operates from one location. The bank maintains two cash dispensing automated teller machines, one in the bank's main entry, and a second in a convenience store in Utica. The OCC assigned a CRA rating of "Satisfactory" during the last CRA evaluation dated August 25, 1995. First National Utica Company, Inc., a \$19 million bank holding company headquartered in Lincoln, Nebraska, is controlling owner of the bank.

FNBU has the financial capacity to assist in meeting the community's credit needs. There are no legal or financial barriers to impede its efforts. The bank offers a broad range of credit products including agricultural, real estate, commercial and consumer loans. Loans comprised 57 percent of the bank's assets as of September 30, 1998. The following graph shows the bank's loan portfolio consists of 52 percent agricultural and agricultural real estate; 21 percent 1-4 family residential; 17 percent commercial and commercial real estate and 10 percent consumer loans. We placed the greatest weight of our analysis on small farm and residential loans because these are the largest segments of the loan portfolio. We also reviewed and included lending data on commercial and consumer loans as these segments are significant portions of the bank's lending activity. Consumer lending is significant as these loans represent 35% of the bank's total note count.



## **DESCRIPTION OF FNBU'S ASSESSMENT AREA**

FNBU's assessment area includes the rural block numbering areas (BNA) in Seward and York Counties. FNBU is located in western Seward County, near York County's eastern boundary. The 1990 U.S. Census divides these counties into eight BNAs for measuring purposes. FNBU's management does not include four BNAs which cover the towns of Seward and York in these counties because FNBU does not lend significant amounts within those areas. Eight other banks or savings and loan offices serve the credit needs within those two towns. According to the 1990 Census, the bank's designated assessment area had a population of 15,112. The Census designated all of these BNA's as middle-income. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income geographies.

The majority of FNBU's business originates in the Utica area where the bank's office is located. Utica, with a population of 800, is a non-county seat town in Seward County. It is located in east central Nebraska, approximately 45 miles from Lincoln, Nebraska, the state capital.

Utica and people in the surrounding area depend heavily on agriculture and its related industries. Farm row crops such as corn, milo, soybeans, plus cattle feeding, dominate the local economy.

Population trends are stable to increasing. The demographics of the families in the assessment area by income level were 12 percent low, 16 percent moderate, 27 percent middle and 45 percent upper-income. In addition, 16 percent of the population was over age 65 and 6 percent of families were below poverty level. The 1990 HUD nonMSA statewide median family income for Nebraska was \$27,623. In 1998, the updated HUD nonMSA statewide median family income was \$39,300. The 1990 Census determined the median housing value within the assessment area was \$40,772 and 66 percent of the housing units were owner occupied.

Three members of the public within the two county assessment area, contacted by examiners during examinations within the past seventeen months, stated the primary credit need was affordable family housing. The most recent contact stated that the need for this type of credit has lessened somewhat with the construction of eight houses which were then sold to low- to moderate-income families in Utica. These contacts were individuals involved with the activities of the Seward County Housing Corporation or other development activities in Utica and Seward County. FNBU assisted in meeting the need for affordable housing by financing the acquisition of six of the low- to moderate-income homes in Utica.

Major employers in the immediate area include the local school system, Houghen Bindery Ltd. (book binders), and Fehlhafers Car sales, (repair and salvage) with approximately 130, 85, and 18 employees, respectively. Overall unemployment remains low. Retail activity is good in nearby York and Seward, Nebraska, and provides some employment diversification to the local economy.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### *Lending to Farms and Businesses of different revenue sizes and consumers of different income levels.*

Samples from the four primary types of loans made within the assessment area revealed a good penetration of loans to farms and businesses of different revenue classifications and borrowers of different income levels. This bank meets the standards for satisfactory performance for this performance factor. AG/AG RE loans are the dominate loan type with 52% of total loan dollar volume. The remaining volume in the portfolio shows 1-4 Family and commercial loans also being significant. The consumer loan segment rises to a significant level with 35% of all note volume lodged in this category. Due to these factors we chose to pull a sample from each type of loan category.

The table below shows FNBU is an active lender to farms within the assessment area. Farm revenue information from the 1992 Census of Agriculture covering 1,644 farms in the area details agricultural sales demographics. We itemize this data in the table below by listing the percentage of farms in each revenue category and comparing FNBU's lending to agricultural borrowers in each of the revenue groupings. We note fewer loans to farms with low revenues of \$50,000 or less. This is reasonable as farmers with less than \$50,000 in gross revenue are part-time or "hobby farmers" or are landlords whose additional outside income support the operation and eliminate the need to borrow money. The 1992 Census also shows the average market value of agricultural products sold per farm to be \$152,856. FNBU is a strong lender to farms with revenues near this average. This average revenue level is more likely to sustain a farm as an ongoing enterprise.

| Borrower Revenue Level           | % Farms in AA* | Loans to Farms ① |             |              |             |
|----------------------------------|----------------|------------------|-------------|--------------|-------------|
|                                  |                | # of Loans       | %           | \$ (000's)   | %           |
| Revenues <= \$50,000             | 48%            | 9                | 25%         | 92           | 7%          |
| Revenues \$50,000 to \$99,999    | 16%            | 6                | 17%         | 135          | 11%         |
| Revenues \$100,000 to \$249,999  | 25%            | 17               | 47%         | 782          | 61%         |
| Revenues \$250,000 to \$499,999  | 8%             | 3                | 8%          | 217          | 17%         |
| Revenues \$500,000 and greater** | 3%             | 1                | 3%          | 58           | 4%          |
| <b>TOTAL</b>                     | <b>100%</b>    | <b>36</b>        | <b>100%</b> | <b>1,284</b> | <b>100%</b> |

\* Data Source: 1992 Census of Agriculture - Seward and York Counties (combined) .

\*\* No farm loans in the sample were to enterprises with revenues more than \$1,000,000.

① A sample note to one farm may not be the total debt to that farm.

The following table of our sampled 1-4 Family Residential loans shows the bank is lending to borrowers of all income levels with a good penetration of loans to low- to moderate-income families. This performance exceeds the income demographics for the assessment area.

| Borrower Income Level | % Families in AA | Loans to Consumers to Purchase or Refinance 1-4 Family Residential Dwellings. |                      |                    |                             |
|-----------------------|------------------|---|----------------------|--------------------|-----------------------------|
|                       |                  | # of Loans  | % of Loans by Number | \$(000's) of Loans | % of Loans by Dollar Volume |
| Low                   | 12%              | 3   | 17%                  | 64                 | 14%                         |
| Moderate              | 16%              | 6   | 33%                  | 126                | 28%                         |
| Middle                | 27%              | 5   | 28%                  | 134                | 30%                         |
| Upper                 | 45%              | 4   | 22%                  | 123                | 28%                         |
| <b>Total</b>          | <b>100%</b>      | <b>18</b>   | <b>100%</b>          | <b>447</b>         | <b>100%</b>                 |

FNBU is primarily an agricultural lender, but also supports the credit needs of small businesses within the area. Information from the 1990 U.S. Census for the assessment area indicates most businesses are small. Of the 296 businesses reporting census data, 91 percent (269) had revenues totaling less than \$1,000,000. Our sample of loans made within the assessment area reflects a close correlation with this demographic information. The table shown below reveals good support of business with revenues below \$1,000,000.

| Borrower Revenue Level  | % Businesses in AA* | Loans to Businesses |             |            |             |
|-------------------------|---------------------|---------------------|-------------|------------|-------------|
|                         |                     | # of Loans          | %           | \$(000's)  | %           |
| Revenues <= \$1 Million | 77%                 | 19                  | 95%         | 666        | 87%         |
| Revenues > \$1 Million  | 8%                  | 1                   | 5%          | 100        | 13%         |
| Unknown Revenues        | 15%                 | -                   | -           | -          | -           |
| <b>TOTAL</b>            | <b>100%</b>         | <b>20</b>           | <b>100%</b> | <b>766</b> | <b>100%</b> |

\*Data Source: Bank Records and Dun & Bradstreet

FNBU makes numerous consumer loans, primarily for the purchase of vehicles. The following table of our sampled consumer auto loans shows the bank is lending to borrowers of all income levels with a strong penetration of loans to low- to moderate-income families. This level of performance exceeds the income demographics for the assessment area.

| Borrower Income Level | % Families in AA | Loans to Consumers to Purchase Automobiles |                      |                    |                             |
|-----------------------|------------------|--|----------------------|--------------------|-----------------------------|
|                       |                  | # of Loans                                 | % of Loans by Number | \$(000's) of Loans | % of Loans by Dollar Volume |
| Low                   | 12%              | 10   | 32%                  | 68                 | 22%                         |
| Moderate              | 16%              | 8  | 26%                  | 73                 | 23%                         |
| Middle                | 27%              | 9  | 29%                  | 141                | 44%                         |
| Upper                 | 45%              | 4  | 13%                  | 34                 | 11%                         |
| Total                 | 100%             | 31   | 100%                 | 316                | 100%                        |

***Comparison of Credit Extended Inside and Outside of the Assessment Area***

A majority of FNBU’s loans are to borrowers within its assessment area for each loan category. The results of our sampling for this factor are listed in the following table. This level of performance is common for small community banks and meets the standards for satisfactory performance for this factor.

| Product Type   |     | Total |           | % of Total |              |
|----------------|-----|-------|-----------|------------|--------------|
|                |     | #     | \$(000's) | #          | \$(000's)    |
| Small Farm     | In  | 36    | 1,284     | 97%        | 100%         |
|                | Out | 1     | 4         | 3%         | Less than 1% |
|                |     |       |           |            |              |
| 1-4 Family RE  | In  | 18    | 447       | 67%        | 25%          |
|                | Out | 9     | 1,324     | 33%        | 75%          |
|                |     |       |           |            |              |
| Small Business | In  | 20    | 766       | 87%        | 58%          |
|                | Out | 3     | 552       | 13%        | 42%          |
|                |     |       |           |            |              |
| Consumer Auto  | In  | 31    | 317       | 84%        | 87%          |
|                | Out | 6     | 48        | 16%        | 13%          |

### ***Loan-to-deposit Ratio***

FNBU's net loan-to-deposit ratio averaged 70 percent over the last fourteen quarters based on data the bank reported in Consolidated Reports of Condition. This average was the lowest of the three banks headquartered within the assessment area. The most recent data shows the three banks' loan-to-deposit ratios ranging from 74 percent to 91 percent. Despite having the lowest loan-to-deposit ratio within the assessment area, FNBU compares favorably with 53 other similarly situated banks in Nebraska whose loan-to-deposit ratio averaged 66% on December 31, 1997. These banks are similarly situated by being in small towns of 5,000 or less and having total assets within 20% of FNBU. The bank meets the standards for satisfactory performance in this area.

### **Geographic Distribution of Loans**

An analysis of the geographic distribution of loans would not be meaningful since all of the BNA's within FNBU's assessment area are middle income.

### **Response to Complaints**

No complaints were received since the prior examination.

### **Compliance with Antidiscrimination Laws and Regulations**

FNBU is in compliance with the substantive provisions of antidiscrimination laws and regulations. We found no evidence of discrimination or disparate treatment in our review of the bank's lending practices.

## Sampling Data

We reviewed the revenue or income distribution and location of 124 borrowers for all types of loans between 1/1/96 and 12/30/98. The bank's staff was able to approximate total loan originations by type for 1998, but this data was unavailable in a reasonably accessible form for 1997 and 1996. Most of our sample (91 borrowers) had 1998 originations. The table below compares the 1998 portion of the sample to the total of all 1998 originations by type.

| <b>Loan Type:</b>  | <b># of Notes (1998)</b> | <b>Original Amt's (1998)</b> | <b># of notes in Sample (1998 only)</b> | <b>Sample Coverage- #s</b> | <b>\$'s Sample (1998 only)</b> | <b>Sample Coverage- \$'s</b> |
|--------------------|--------------------------|------------------------------|---|----------------------------|--------------------------------|------------------------------|
| Agricultural       | 212                      | \$5,861                      | 34                                      | <b>16%</b>                 | \$1,182                        | <b>20%</b>                   |
| 1-4 Fam RE         | 25                       | \$711                        | 15                                      | <b>60%</b>                 | \$377                          | <b>53%</b>                   |
| Commercial         | 51                       | \$1,584                      | 20                                      | <b>39%</b>                 | \$1,204                        | <b>76%</b>                   |
| Consumer-Auto      | 118                      | \$675                        | 22                                      | <b>19%</b>                 | \$229                          | <b>34%</b>                   |
| <b>Grand Total</b> | <b>406</b>               | <b>\$8,831</b>               | <b>91</b>                               | <b>22%</b>                 | <b>\$2,992</b>                 | <b>34%</b>                   |