



## **PUBLIC DISCLOSURE**

September 19, 2016

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

The First National Bank in Creston  
Charter Number 12636

101 West Adams  
Creston, IA 50801

Office of the Comptroller of the Currency

1089 Jordan Creek Parkway  
Suite 230  
West Des Moines, IA 50266

**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 Outstanding**

The First National Bank in Creston (FNB), Creston, Iowa successfully meets the credit needs of its community.

- FNB's lending level is more than reasonable as compared to similarly situated financial institutions.
- A substantial majority of the bank's lending is within the bank's assessment area.
- FNB's penetration of lending to borrowers of different incomes and farms of different sizes is reasonable.
- FNB's distribution of agriculture and consumer loans to geographies of different income levels reflects reasonable penetration of the assessment area demographics.
- Community Development activities demonstrate excellent responsiveness to community development needs and opportunities in the bank's assessment area.
- FNB has not received any formal complaints regarding its Community Reinvestment Act performance.

## **SCOPE OF EXAMINATION**

We evaluated FNB with small bank Community Reinvestment Act (CRA) evaluation procedures. The rating is based on a lending test, which evaluates a bank's record of meeting the credit needs of its assessment area (AA) through lending activities. Agricultural and consumer installment loans are the bank's largest dollar and number volume of business and consumer loans and we sampled loans originated in 2014, 2015, and year-to-date 2016. The rating is also based on a community development (CD) test, which evaluates the bank's record of responding to the CD needs of its AA. The evaluation period for FNB covers its performance from April 2011 through August 2016. The loan-to deposit analysis covered the last 20 quarters for both FNB and similarly situated banks.

## **DESCRIPTION OF INSTITUTION**

FNB is a \$227 million bank headquartered in Creston, Iowa. Creston is the county seat for Union County with a population of about 8,000. The bank has three locations – two in Creston and one in Afton, Iowa. Drive-up facilities are available at all three locations. The bank offers automated teller machines (ATM) at both Creston branches and inside a grocery store in Creston. In Afton, customers have access to an ATM located inside a nearby convenience store. Customers also have access to Northwest Bank's network

of 27 ATMs located throughout Iowa and eastern Nebraska, as well as access to ATMs within the privileged status Shazam network. The bank is owned by Northwest Financial, a \$1.6 billion holding company headquartered in Arnolds Park, Iowa. This is a two-bank holding company, with the affiliate bank headquartered in Spencer, Iowa. There are no legal or financial impediments limiting the bank’s ability to help meet community credit needs.

As of June 30, 2016, FNB’s loan portfolio comprised 84 percent of total assets. The bank’s primary credit products are agriculture and consumer loans. The table below breaks down the portfolio by origination dollars and number of loans as reported by the bank over the last three years.

	<b>% of Dollars Originated</b>	<b>% of Number Originated</b>
<b>Agricultural/RE Loans</b>	<b>53%</b>	<b>43%</b>
Commercial/RE Loans	19%	10%
1-4 Family RE Loans	15%	6%
<b>Consumer Loans</b>	<b>13%</b>	<b>41%</b>

*Source: bank-provided loan data*

FNB was rated “Satisfactory” at the last CRA examination dated March 7, 2011.

## **DESCRIPTION OF ASSESSMENT AREA(S)**

FNB’s AA consists of all four census tracts (CT) in Union County, as well as CT 9602 in Adair County, CT 9501 in Adams County, CT 9501 in Ringgold County, and CT 1801 in Taylor County. Towns in the AA include Afton, Clearfield, Creston, Lenox, Lorimor, and Orient. The AA does not have any low-income CTs and includes two moderate-income areas – CT 1902 in Union County and CT 1801 in Taylor County. Individuals can refer to the CRA public file for a map outlining the bank’s AA.

According to the 2010 U.S. Census, the population of the AA is 20,619. The weighted average 2010 Census MSA median family income is \$56,190 for non-metropolitan statistical areas. Household incomes in the area are 27 percent low-income, 16 percent moderate-income, 20 percent middle-income, and 37 percent upper-income. AA households below the poverty level was 15 percent, and four percent of households receive public assistance. The weighted-average median household income was \$41,795 in 2015.

Unemployment has decreased to 3.17 percent and major employers in the area continue to hire. The area is generally considered stable with employment sources provided by farming, farm-related business, other industries, a community college, and a hospital. The area’s largest employers include Bunn-O-Matic Corporation, Ferrara Candy Company, GITS Manufacturing Company, Greater Regional Medical Center, Innovative Industries, Southwestern Iowa Community College, Wal-Mart, and Wellman Dynamics Corporation.

Examiners contacted representatives from two different local community and economic development organizations. Our community contacts included the Executive Director of the Union County Development Association and the Executive Director of Southern Iowa Council of Governments. The contacts indicated agricultural, small business, consumer, and residential loans, including loans to first-time homebuyers, as credit needs in the communities within FNB's AA. FNB offers and originates all of these loan types.

The primary competition within the AA includes four state banks with total assets between \$76 million and \$240 million. There are also two large regional banks with offices located within the AA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

The bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and AA credit needs. FNB's ratio is the highest among similarly situated banks and meets the criteria for outstanding performance. FNB's loan-to-deposit ratio averaged 90.8 percent over the past 20 quarters ending March 30, 2016, and was 90.6 percent as of March 30, 2016. The bank's quarterly ratio ranged from 83 percent to 100 percent during the time period. The quarterly average for four similarly situated institutions with a portion of the assessment area's deposits was 76.6 percent and ranged from 60.3 percent to 83.5 percent. The bank originates and sells residential mortgages into the secondary market, which are not reflected in the loan-to-deposit ratio.

### **Lending in Assessment Area**

FNB originated a substantial majority of its loans within the AA. We reviewed a sample of twenty agricultural and twenty consumer loans to determine the bank's lending in the AA. All the loans were originated since the last CRA examination. The majority of loans by number (85 percent) and by volume (68 percent) were inside the AA. Many of the agricultural loans in our sample were lines of credit and did not have a balance at origination to include in the dollar totals.

The following table shows the findings of our sample.

<b>Lending in The FNB in Creston Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural Loans	17	85%	3	15%	100%	282,270	60%	185,000	40%	100%
Consumer Loans	17	85%	3	15%	100%	197,770	84%	37,448	16%	100%
Total	34	85%	6	15%	100%	481,040	68%	222,448	32%	100%

Source: 2010 U.S. Census data, loan sample

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

FNB has reasonable penetration of lending to borrowers of different incomes and farms of different sizes.

The distribution of consumer loans to households of different income levels in the AA reflects reasonable penetration. We reviewed 20 consumer loans totaling \$237 thousand to determine the bank’s performance. A total of 27 percent of households in the AA were low-income and 10 percent of FNB’s consumer loans were to low-income households. Sixteen percent of AA households were moderate-income and 10 percent of the bank’s consumer loans were to moderate-income households. Other demographics considered in this rating include the fact that 15 percent of households in the AA were below the poverty level and four percent of the households in the AA receive public assistance, according to the 2010 US Census data.

The following table includes the data used to evaluate the borrower distribution of the bank’s consumer loans.

<b>Borrower Distribution of Consumer Loans in The FNB in Creston Assessment Area</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	27%	10%	16%	10%	20%	45%	37%	35%

Source: 2010 U.S. Census data, loan sample

FNB has a reasonable penetration of lending to farms of different sizes. We sampled 20 loans totaling \$704 thousand to determine FNB’s performance. Many of the loans sampled were for lines of credit, which had a corresponding zero balance at origination. Of those loans, 100 percent were to small farm operations with less than \$1 million in gross annual revenues. Three farms had revenues between \$250 thousand to \$550 thousand and 14 had revenues less than \$250 thousand. All the loans in the sample were to farms within the AA and originated within the last three years.

The following table includes the data used to evaluate the borrower distribution of the bank’s agriculture loans.

<b>Borrower Distribution of Loans to Farms in The FNB in Creston Assessment Area</b>				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Farms	99%	1%	0%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

Source: 2010 U.S. Census data, 2016 D&B data, loan sample

FNB works with small businesses and small farms to obtain loans with flexible terms. The bank originated Small Business Association guaranteed loans, USDA Rural Development loans, and Farm Services Agency guaranteed loans during the performance evaluation period.

Although we did not perform the lending test on residential real estate lending, FNB participates in a first-time home buyer program through SICOG, a local non-profit organization that serves an eight-county area in southwest Iowa. The program provides first-time home buyers with low-interest loans for down payments, closing costs, and renovations. Since January 1, 2014, FNB originated 34 first-time home buyer loans where SICOG provided assistance to the first-time home buyers. Of these 34 first-time home buyers, 68 percent had low- or moderate-income levels.

**Geographic Distribution of Loans**

The distribution of agriculture and consumer loans to geographies of different income levels reflects reasonable dispersion of the AA’s demographics during the evaluation period.

The distribution of agriculture loans to geographies of different income levels in the AA is reasonable. Seventeen percent of farms were located in moderate-income census tracts and five percent of FNB’s agriculture loans were to farms in those census tracts. One of the two moderate-income census tracts within the bank’s AA is considered urban, which limits the bank’s opportunities to lend within moderate-income tracts.

The following table includes the data used to evaluate the geographic distribution of the bank’s agriculture loans.

<b>Geographic Distribution of Loans to Farms in The FNB in Creston Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Farms	% of Number of Loans						
Agricultural Loans	0%	0%	17%	5%	83%	95%	0%	0%

Source: 2010 U.S. Census data, loan sample

The distribution of consumer loans to geographies of different income levels in the AA is reasonable. Thirty-two percent of households were located in moderate-income census tracts and 10 percent of FNB’s consumer loans were to borrowers in those census tracts. Forty percent of households located in the moderate-income census tracts are below the poverty level, which limits the bank’s opportunities to lend to borrowers located within moderate-income tracts.

The following table includes the data used to evaluate the geographic distribution of the bank’s consumer loans.

<b>Geographic Distribution of Consumer Loans in The FNB in Creston Assessment Area</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0%	0%	32%	10%	68%	90%	0%	0%

Source: 2010 U.S. Census data, loan sample

We did not perform the lending test on residential real estate lending, but as mentioned above, FNB participates in a first-time home buyer program through SICO, a local non-profit organization that serves an eight-county area in southwest Iowa. The program provides first-time home buyers with low interest loans for down payments, closing costs, and renovations. Since January 1, 2014, FNB originated 34 first-time home buyer loans where SICO provided assistance to the first-time home buyers. Of these 34 first-time home buyers, 26 percent were to borrowers located in moderate-income census tracts and nine percent were to borrowers located in distressed or underserved census tracts.

**Qualified Investments and CD Services**

FNB’s performance under the CD Test is rated Outstanding. CD activities demonstrate excellent responsiveness to CD needs and opportunities in the bank’s AA. CD loans and investments totaled over \$2 million during the evaluation period. Bank employees provided the following community services during the evaluation period:

- Financial literacy programs at local Title I schools;
- Home purchase and mortgage counseling to first-time home buyers; and
- Serving on local economic development boards, including:
  - FNB’s President serves as President of the Union County Development Association
  - FNB’s Senior Loan Officer serves on the loan committee of the Grow Iowa Foundation.

### **Responses to Complaints**

FNB has not received any complaints regarding their CRA performance since the last CRA examination dated March 7, 2011.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.