



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

May 2, 1997

Community Reinvestment Act Performance Evaluation

**The City National Bank of Shenandoah
Charter Number 14057**

**116 South Blossom Street
Shenandoah, Iowa 51601**

**Office of the Comptroller of the Currency
Omaha Duty Station
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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 City National Bank of Shenandoah prepared by The Office of the Comptroller of the Currency, as of May 2, 1997. 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 City National Bank of Shenandoah (CNB) originates a substantial majority of its loans within its assessment area. The bank extends credit to borrowers in all segments of its assessment area. According to a review of 20 residential real estate purchase loans, CNB's volume of loans to low- and moderate-income borrowers is reasonable. The bank's origination of business and farm loans indicates lending to businesses and farms of all sizes and is concentrated to businesses and farms with annual gross revenues under \$500,000.

The following table indicates the performance level of The City National Bank of Shenandoah, Shenandoah, Iowa with respect to each of the five performance criteria.

Small Institution Assessment Criteria	<u>The City National Bank of Shenandoah</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 businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints have been received since the last CRA examination.		

DESCRIPTION OF INSTITUTION

The City National Bank of Shenandoah (CNB) is a \$47 million financial institution located in Southwest Iowa. The bank primarily serves Page County and the eastern half of Fremont County. The bank and two Automated Teller Machines (ATMs) are located in Shenandoah, IA. The main bank including drive-up teller windows and an ATM is located in a middle-income block numbering area (BNA). There are four other community banks and one savings and loan association branch in the assessment area. CNB is the largest institution in the assessment area.

The bank offers several different loan products including commercial, agricultural, consumer, and residential real estate loans. The bank has identified the need for affordable housing in the community. Affordable housing for the Shenandoah area focuses on single family dwellings. The bank is addressing the affordable housing issue by offering fixed and variable rate loan products with maturities up to 30 years. The bank also offers secondary market mortgages through the Iowa Bankers Mortgage Corporation. The secondary market loans have lower down payment requirements and help low- and moderate-income families obtain housing loans with lower initial costs. The need for affordable housing was confirmed through a community contact with a local economic development corporation.

The composition of the bank's \$17.4 million loan portfolio is 35% agriculture, 32% residential real estate, 20% commercial, 11% individual, and 2% other loans.

No legal or financial impediments exist that preclude the bank from fulfilling its obligations under the Community Reinvestment Act (CRA). The bank was rated outstanding at the last CRA examination completed by the Comptroller of the Currency on July 7, 1995.

DESCRIPTION OF CITY NATIONAL BANK'S ASSESSMENT AREA

The bank's assessment area consists of five Block Numbering Areas (BNAs). The assessment area includes the eastern half of Fremont County and all of Page County except the city of Clarinda. Two of the five BNAs are designated moderate-income and the other three are middle-income. The bank does not exclude any low- or moderate-income BNAs from its assessment area.

The population of the assessment area is 14,324 according to 1990 census data. Recent increases in population are due to industry expansion and new businesses. This has provided the area with a stable economy and low unemployment rates.

The 1997 statewide nonmetropolitan median family income is \$39,200. This is an increase from \$37,000 in 1996. Approximately 13% of the families in the assessment area report annual income below the poverty level.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

CNB originated a substantial majority of loans between January 1, 1996 and April 15, 1997 within its assessment area. The bank originated 465 out of the 511 loans currently outstanding or 91% within its assessment area. These loans accounted for 88% of the dollar volume originated. This information was obtained from the bank's internal report and verified by sampling 20 residential real estate purchase loans and 20 business or agricultural loans.

The bank's geographical distribution of all loans originated between January 1, 1996 and April 15, 1997 is reasonable. The bank originated 34% by number of loans or 36% by dollar volume in the assessment area's two moderate-income BNAs. This is reasonable given that 40% of the BNAs in the assessment area are designated moderate-income.

The sample of 20 residential real estate purchase loans indicated that 30% of the originated loans were to low- or moderate-income families. The following table shows the number and dollar volume of residential real estate purchase loans for each income level. It also identifies the percentage of families in the assessment area for each income level.

RESIDENTIAL REAL ESTATE PURCHASE LOANS January 1, 1996 to April 15, 1997					
Income Level of Borrowers	Loan Volume				Family Distribution by Income Levels within the Assessment Area
	#	%	\$ (000)	%	
Low-income	3	15%	102	10%	22%
Moderate-income	3	15%	71	7%	20%
Middle-income	4	20%	157	15%	25%
Upper-income	10	50%	698	68%	33%

The above table indicates that the bank's percentage of loans to low- and moderate-income families is below the percentage of low- and moderate-income families in the assessment area. One reason for the lower volume of loans to low- and moderate-income borrowers is the bank's secondary market referral program. The bank referred seven borrowers to the Iowa Bankers Mortgage Corporation between January 1, 1996 and April 15, 1997. The referrals resulted in three loans to low-income families, three loans to moderate-income families, and one loan to a middle-income family. Using the referred and originated loan data, lending to low- and moderate-income families totals 44% of the 27 loans reviewed during this time period.

The distribution of business and farm loans to borrowers of all sizes is reasonable. The sample of 20 business or farm borrowers shows lending to 19 borrowers with annual revenues less than \$500,000. This is consistent with demographic information showing that 66% of the

businesses and farms in the assessment area report annual revenues under \$500,000. The following table shows the distribution of the 20 small business or farm borrowers according to annual revenues.

LENDING TO BUSINESSES AND FARMS January 1, 1996 to April 15, 1997				
Annual Revenues	# of Borrowers	%	\$ (000s) Loans Outstanding	%
Less than \$100,000	4	20%	61	3%
\$100,000 - \$250,000	6	30%	739	33%
\$250,000 - \$500,000	9	45%	1,430	63%
Over \$500,000	1	5%	35	1%

The bank meets the credit needs of low- and moderate-income families through small dollar consumer loans. Fifty-nine percent of the consumer loans outstanding and originated between January 1, 1996 and April 15, 1997 were in amounts less than \$5,000. The following table provides the number and dollar amount of originated consumer loans.

DISTRIBUTION OF CONSUMER LOANS BY SIZE (Excluding real estate secured loans)				
Original Loan Amount	# of Loans	%	\$	%
Less than \$1,000	46	14%	\$34,506	2%
\$1,000 to \$5,000	150	45%	\$398,337	20%
\$5,000 to \$10,000	74	22%	\$532,484	27%
Over \$10,000	63	19%	\$992,887	51%

The bank's loan-to-deposit ratio (LTD) is low compared to other financial institutions chartered in the assessment area and Page and Fremont Counties. CNB's average quarterly LTD ratio since the last CRA examination is 45%. The average quarterly LTD ratios of other banks chartered in CNB's assessment area ranged between 45% and 59% for an average of 54%. The average quarterly LTD ratios of all banks chartered within Page and Fremont Counties ranged between 41% and 82% for an average of 58%. CNB's LTD has been lower than its competition during the time period reviewed because of actions taken by the bank while it operated under a formal enforcement action.

CNB complies with the substantive provisions of antidiscriminatory laws and regulations. There have been no complaints filed with the bank or the Comptroller of the Currency since

the last CRA examination.