



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 7, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First Newton National Bank
Charter Number 13609**

**100 South Second Avenue West
Newton, Iowa 50208**

**Supervisory Agency: Office of the Comptroller of the Currency
Omaha Field Office
11606 Nicholas Street, Suite 201
Omaha, Nebraska 68154-4410**

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 **First Newton National Bank, Newton, Iowa**, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 7, 1998. 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 "Satisfactory".

First Newton National Bank reasonably meets the credit needs of its community. The majority of the loans originated by the bank are within the bank's assessment area. The bank's lending efforts reflect reasonable penetration to borrowers of different income levels and to businesses and farms of different sizes.

Description of Institution

First Newton National Bank (FNNB) is a \$50 million bank located in Newton, Iowa, approximately 40 miles east of Des Moines, Iowa. The bank is 100% owned by United Bancshares, a one bank holding company. The bank's main office is located in downtown Newton with another branch located in a local shopping plaza. The bank also operates five automatic teller machines (ATM) throughout the city. The OCC assigned a CRA rating of "Satisfactory" during the last CRA examination.

The bank's primary credit products are 1-4 family residential real estate, commercial and agricultural loans. As of September 30, 1997, these categories accounted for 36%, 33% and 17%, respectively, of total outstanding loans.

There are no factors, including the bank's financial condition, that restrict its ability to comply with the Community Reinvestment Act.

Description of Assessment Area

FNNB's designated assessment area (AA) includes all nine block numbering areas (BNA) within Jasper County. The county has nine towns with Newton serving as the county seat. The county population, according to the 1990 Census, is 34,795 people. The county has two upper- and seven middle-income BNAs. The 1997 state-wide non-metropolitan statistical area median family income is \$39,200. The 1990 Census found that 12% of the families in the county are low-income, 16% moderate-income, 26% middle-income and 46% upper-income. The median housing value for the AA is \$46,568 with 70% of total housing units being owner-occupied.

The primary employer in the county is Maytag Corporation (household appliance manufacturer). Newton is commuting distance to Des Moines, which is Iowa's largest city. The majority (75%) of people in the AA are wage/salary employed. The next two largest income categories are social security and retirement at 30% and 16%, respectively.

The primary credit need in the county is housing loans. Maytag Corporation has expanded employment in the past several years. As a result, there is a need for housing availability in all price ranges. Some employees in the county reside in Des Moines and commute to Newton due to available housing. Our community contacts confirmed the need for affordable housing in the community. Traditional banking competition in the AA includes five banks located throughout the county.

Conclusions with Respect to Performance Criteria

FNNB's loan-to-deposit (LTD) ratio was 47% as of September 30, 1997. FNNB's LTD ratio has averaged 44% since September 30, 1994. FNNB's average LTD ratio ranks the lowest when compared to the other five similarly-situated banks in Jasper County. The other banks average LTD ratios ranged from 44% to 98%.

FNNB's LTD ratio, however, is reasonable when real estate loans sold on the secondary market are considered. The bank's LTD ratio does not reflect loans sold to the secondary mortgage market. If these loans were included, the bank's LTD ratio would be approximately 60%.

FNNB makes a majority of its loans to borrowers located within the assessment area. A review of the bank's loan listing indicates that 801 of the 830 active loans are made to borrowers inside the AA. The loan listing includes all categories of loans. The following table shows the percentage of loans made inside the AA by number and dollar volume.

9/30/97 Loans Made Inside/Outside Assessment Area				
	Number	% Number	\$ Volume	% \$ Volume
Inside Assessment Area	801	96%	\$16,928,00	82%
Outside Assessment Area	29	4%	\$3,770,000	18%
Total	830	100%	\$20,698,00	100%

The bank has reasonable penetration of loans to borrowers of different income levels and to businesses and farms of different sizes. We reviewed a sample of 42 residential real estate loans, the bank's June 30, 1996 Call Report, and a sample of 10 farm loans to determine this.

The bank originates a reasonable number of home loans to borrowers of different incomes. Our review of residential real estate files found fewer home loan originations to low- and moderate-income people than represented in the county. We identified several characteristics in the AA that reasonably explains a lower penetration of home loans to these income categories. These characteristics include a high owner-occupied housing level (70%), the need for more affordable housing, and a high average home value of \$47,000. The following table summarizes the results of our home loan review.

Home Loan Originations to Borrowers of Different Incomes			
Income	# Loans	% Loans	BNA # %
Low	2	5%	12%
Moderate	4	10%	16%
Middle	11	26%	26%
Upper	25	59%	46%
Total	42	100%	100%

The bank has good penetration of loans to businesses of different sizes. Loan size was used as a proxy for business revenue. The following table summarizes commercial real estate and other commercial and industrial loans outstanding as of June 30, 1997.

Commercial Loans Outstanding*			
Loan Size (000's)	Number	\$ Outstanding	% \$ Outstanding
< \$100	121	\$1,807	30%
\$100 - \$250	18	\$1,539	26%
\$250 - \$1,000	8	\$2,683	44%
Total	147	\$6,029	100%

* Source 6/30/1997 Call Report

The bank originates a reasonable number of loans to farms of different sizes. We used gross farm income as an indicator of farm size. The following table summarizes the results of our review.

Farm Loans Outstanding	
Gross Income (000s)	# Loans
< \$100	4
\$101 - \$250	2
\$251 - \$1,000	5
Total	11

An analysis of the geographic distribution of loans within the bank's assessment area is not meaningful because the assessment area does not have any low or moderate income BNAs.

The bank has not received any complaints regarding its CRA performance since the last examination.

FNNB is in substantial compliance with antidiscrimination laws and regulations. Our review did not identify any evidence of discrimination or other illegal credit practices.