



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

June 30, 1997

Community Reinvestment Act Performance Evaluation

**LANDMANDS NATIONAL BANK
Charter Number 9619**

**P.O. Box 267
Audubon, Iowa 50025**

**Office of the Comptroller of the Currency
Omaha Duty Station
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 Landmands National Bank prepared by The Office of the Comptroller of the Currency, as of June 30, 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".

Landmands National Bank satisfactorily meets the credit needs of the assessment area. Although the bank's loan portfolio contains a significant number of nonlocal agriculture leases and credit card participations, the bank makes a reasonable effort to meet local credit needs. The geographic distribution of loans within the bank's assessment area is appropriate. Loans made within the assessment area reflect satisfactory penetration to individuals of different income levels and farms of different sizes.

Description of Institution

Landmands National Bank (LNB) is a \$42 million bank located in west central Iowa. The bank is 94% owned by Viking Corporation, a two bank holding company. The bank's main office is located in Audubon, Iowa and the bank operates a full service branch in Kimballton, Iowa. In addition, LNB operates an ATM machine in Audubon.

LNB offers traditional loan and deposit services. As of March 31, 1997, the bank's loan portfolio consisted of 50% agriculture loans, 36% consumer loans, 9% residential real estate loans, and 5% commercial and other loans. Nonlocal agricultural lease participations purchased from an affiliated company make up 55% of the bank's agriculture loan portfolio while participations in nonlocal credit card pools represent 83% of the bank's consumer loans.

The bank has no legal or financial impediments which preclude it from fulfilling its obligations under the Community Reinvestment Act. LNB received a "Satisfactory" rating during the prior CRA examination dated June 23, 1994.

Description of the Bank's Assessment Area

The bank's assessment area consists of all of Audubon County and the east half of Shelby County excluding the town of Harlan. The assessment area consists of three middle income block numbering areas (BNAs) and one moderate income BNA. The total population of the assessment area is 11,158. The statewide nonmetropolitan median family income is estimated at \$37,000 for 1996. The median family income for the assessment area is estimated at approximately \$33,000. The 1990 census estimated 21% of families in the assessment area were low income, 22% were moderate income, 28% were middle income, and 29% were upper income. Agriculture is the primary industry in the area. However, light manufacturing plants, area schools, the local hospital, and a nursing home are also significant employers in the area.

The population of the area has steadily declined. The population of Audubon County was 9,560 in 1970 compared to an estimated population of 6,950 in 1996. The decline in population appears to reflect the consolidation of farm operations and movement to better employment opportunities in metropolitan areas. Competition in the area includes three community banks headquartered within the assessment area, several other community banks with offices in or near the assessment area, and a branch of a large regional bank located in Atlantic, Iowa (30 miles southwest of Audubon).

Contacts with bank management and community members confirm that the area is largely dependent on the agricultural economy and agricultural lending is a primary need in the community. Local community members indicated the local agricultural economy is good, especially the past two years due to higher commodity prices and good local crops. Most contacts indicated agricultural loan demand is being met by area banks; however, one contact indicated a need for programs to help young farmers with down payments to purchase farmland.

Contacts in the town of Audubon noted a general decline in economic activity. The decline in retail trade has been particularly notable as residents are increasingly shopping in larger cities. This has left several commercial buildings vacant. Some contacts indicated a need for loans to help attract and retain businesses in the area. Contacts indicated the demand for good quality housing in Audubon is strong. Residential real estate prices have been increasing and marketing times have been falling.

Conclusions with Respect to Performance Criteria

Lending to Borrowers of Different Income Levels and Farms of Different Sizes

A sample of agriculture and consumer loans made within the assessment area revealed reasonable penetration of loans to borrowers of different income levels and farms of different sizes. 1990 census information for the assessment area indicates that most area farms are small. 98% of farms in the assessment area reported revenues of less than \$1,000,000. None of the agricultural loans in our sample were to farms with gross revenues of more than \$250,000, indicating that the majority of locally generated agriculture loans are to small farms. Our sample of locally generated consumer loans reflects a close correlation with local demographic information. Forty-three

percent of the loans in our sample were made to low or moderate income borrowers which is the same percent of low and moderate income families in the assessment area.

We reviewed income and revenue information from 16 agricultural loans and 23 consumer loans. We selected our sample from loans originated between January 1, 1997 and June 15, 1997. Most credit decisions were made based on 1996 income information; therefore, 1996 statewide nonmetropolitan median family income estimates were used in our analysis. The tables below summarize our findings.

Distribution of Agriculture Borrowers by Gross Revenues				
Revenue Category (000)	Number	Percent	\$ Volume (000)	Percent
0 - 100	8	50%	216	24%
100 - 200	7	44%	611	70%
> 200	1	6%	50	6%

Distribution of Consumer Loan Borrowers by Income Level					
Income Category	1990 Census*	Number	Percent	\$ Volume (000)	Percent
Low	21%	6	26%	19	14%
Moderate	22%	4	17%	22	16%
Middle	28%	8	35%	40	29%
Upper	29%	5	22%	55	41%

*Percentage of families in the bank's assessment area with low, moderate, middle and upper income based on 1990 census data.

Geographic Distribution of Loans

Loans originated by the bank are reasonably disbursed throughout its assessment area, including moderate income areas. One of the four block numbering areas in the bank's assessment area is moderate income while the remaining three are middle income. The moderate income BNA is approximately five miles southeast of the bank's Kimballton office and eight miles south of the bank's main office. It contains 19% of the assessment area's population. A competing bank is located in this BNA.

A sample of 52 consumer and agricultural loans originated within the assessment area between January 1, 1997 and June 15, 1997 were reviewed to assess the bank's penetration of the

moderate income area. The table below summarizes our results.

Geographic Distribution of Loans				
Income level of BNA	Number	Percent	\$ Volume (000)	Percent
Middle Income	45	87%	1,017	87%
Moderate Income	7	13%	158	13%

Considering the moderate income BNA's distance from the bank's offices, the BNA's sparse population, and the competition from a local bank, the level of lending activity in the moderate income area appears reasonable.

Loan to Deposit Ratio

LNB's quarterly average loan to deposit ratio for the twelve quarters ending March 31, 1997 was 80% which was the highest of the four banks in the assessment area. The loan to deposit ratios for the other banks ranged from 56% to 67%.

Lending in the Assessment Area

Although the bank's loan to deposit ratio appears very high when compared to other area banks, it should be noted that a significant portion of the bank's loan portfolio consists of nonlocal leases and credit cards. We reviewed a sample of 37 agricultural loans and leases originated or purchased between January 1, 1997 and June 15, 1997. The sample represented approximately 33% of agricultural loans and leases originated or purchased.

Lending Within the Assessment Area				
Location of Borrower	Number	Percent	\$ Amount (000)	Percent
Inside Assessment Area	21	57%	1,012	64%
Outside Assessment Area	16	43%	568	36%

The above table indicates that a majority of agricultural loans and leases originated or purchased by the bank are to borrowers located within the assessment area.

The bank's participations in credit cards represent 83% of the bank's consumer loan portfolio. The participations are portions of very large pools of credit cards to customers throughout the

United States. Almost all the loans in these pools are out of the assessment area. Management views the investment in these pools as an alternative to traditional securities. The investment in these pools has not affected management's willingness or ability to lend locally.

A sample of 36 locally generated consumer loans revealed that 86% of the loans by number and 90% by dollar volume were made within the assessment area. An analysis of real estate mortgages filed in 1996 revealed that LNB originated 24% of the real estate mortgages in the county, more than any other financial institution.

Response to Complaints

LNB complies with the substantive provisions of antidiscrimination laws and regulations. There have been no fair lending complaints filed with the bank or The Office of the Comptroller of the Currency since the last CRA examination.