



Comptroller of the Currency
Administrator of National Banks

Small Bank Examination

Minneapolis Duty Station
920 Second Avenue South, Suite 800
Minneapolis, Minnesota 55402

PUBLIC DISCLOSURE

May 26, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Oelwein
Charter Number 5778

One West Charles Street
Oelwein, Iowa 50662

Office of the Comptroller of the Currency
920 Second Avenue South, Suite 800
Minneapolis, Minnesota 55402

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 **The First National Bank of Oelwein, Oelwein, Iowa** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 26, 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.

The bank's overall lending is satisfactory. A substantial majority of its lending is within its CRA assessment area. The bank's lending shows good penetration among low- and moderate-income individuals as well as small businesses and farms.

DESCRIPTION OF INSTITUTION

The First National Bank of Oelwein is an \$80 million bank headquartered in Oelwein, Iowa. Oelwein has a population of approximately 7,000 and is the largest community in Fayette County. Additional branches are located in Westgate and Oran. The bank also operates a deposit taking motor bank adjacent to the main facility. Two cash dispensing automated teller machines are operated in Oelwein and a third is available in Maynard, Iowa.

The bank's credit products focus on agriculture and small business. It has 57% of its loan portfolio dollar volume in agriculture-related loans, 19% in commercial-related loans, 17% in residential real estate loans, and 7% in other consumer-related loans.

The bank is primarily owned by Lakeside Credit Company, Inc. (LCC), a three bank holding company. LCC is wholly-owned by Oelwein Bancorporation. The bank is a full service financial institution. The bank's financial condition, asset size, and product offerings do not limit its ability to meet the community's credit needs. Individuals can refer to the bank's CRA Public File for a list of specific products and services offered.

DESCRIPTION OF BANK'S ASSESSMENT AREA

The bank's CRA assessment area is all of Fayette and Buchanan Counties. This area consists of 13 Block Numbering Areas (BNAs). Twelve of these BNAs are middle-income based on HUD census information, the remaining BNA is moderate-income. No part of the assessment area is located in a Metropolitan Statistical Area. Refer to the Public File for a map outlining this assessment area. Fayette and Buchanan Counties had a 1990 census population of about 43,000, which has decreased since then. The rural population base is shrinking and moving to either larger communities in the surrounding area or out of the area entirely.

The 1997 Iowa statewide nonmetropolitan median family income is \$41,200. Local economic conditions of Fayette and Buchanan Counties revolve around agriculture and agribusiness. Oelwein's largest employers include a rail car repair facility, several plastics facilities, a commercial launderer, and local agricultural services providers. Retail trade, county educational facilities, and health care also contribute to employment opportunities. Based on HUD information, unemployment is very low at around 2%.

Examiners contacted a member of the local area Chamber of Commerce. The Chamber believes that an excess volume of residential rental properties suppresses new home construction within the Oelwein area. Within the assessment area, 68% of the housing units are owner occupied while 23% are rental units. Remaining units are vacant.

DESCRIPTION OF BANK'S ASSESSMENT AREA (Continued)

The Chamber of Commerce has developed economic incentive plans to encourage new residential construction and all three local financial institutions are involved in residential financing. Aside from agriculture, small business, and residential real estate, other lending opportunities for the area include auto financing and miscellaneous consumer purposes. This contact did not feel any credit needs are unmet within Oelwein and the surrounding area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Analysis

The bank's overall lending is satisfactory and reflects a satisfactory response to its assessment area credit needs. Its March 31, 1998, loan-to-deposit ratio was 74%. This is comparable to the other eight banks chartered in Fayette and Buchanan Counties whose average March 31, 1998, ratio was 68%. This bank's ratio has been increasing moderately since the prior CRA examination. The bank's 13-quarter average since the last CRA examination is 67%.

Lending in Assessment Areas

A substantial majority of the bank's loan originations are to borrowers within its assessment area. Examiners sampled 94 loans totaling \$3.1 million that have been originated since January 1997. This included 45 agricultural loans totaling \$2.1 million, 13 commercial loans totaling \$426 thousand, 11 residential real estate loans totaling \$521 thousand, and 25 consumer instalment loans totaling \$88 thousand.

We found that, 43 of the 45 agriculture loans, 12 of the 13 commercial loans, 10 of the 11 residential real estate loans, and 24 of the 25 consumer instalment loans were to borrowers located within Fayette and Buchanan Counties. This represents 95% aggregate volume of loans made within the bank's assessment area.

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

The bank's lending shows good penetration among small businesses and farms, and among low- and moderate-income individuals. HUD prepared information for Fayette and Buchanan Counties in 1997 shows that 80% of reporting businesses and farms had gross annual revenues less than \$1 million. HUD information also shows that low- and moderate-income families represent 21% and 20%, respectively, of the total number of families in the assessment area.

Using the same loan sample detailed earlier in this report, the following tables show the bank's performance relative to the revenue and income levels noted above:

Loans to Small Farms and Businesses			
	Total Originations	Gross Revenues < \$1MM	Percentage
Agricultural	45	44	98%
Commercial	13	12	92%

Loans to Individuals - By Number					
	Total Originations	Low Income	Percentage	Moderate Income	Percentage
Residential Real Estate	11	2	18%	4	36%
Consumer	25	10	40%	7	28%

Loans to Individuals - By Dollar (000's)					
	Total Originations	Low Income	Percentage	Moderate Income	Percentage
Residential Real Estate	\$521	\$25	5%	\$131	25%
Consumer	\$56	\$27	31%	\$29	33%

Geographic Distribution of Lending

Geographic distribution of loans within the assessment area is reasonable. The assessment area is predominately middle-income. Twelve of the assessment area's 13 BNAs are middle-income. Examiner analysis determined a 5% distribution of sampled loans within the moderate-income BNA.

Response to Complaints

No complaints have been received since the last examination.

Record of Compliance with Antidiscrimination Laws

Examiners found no substantive violations of the antidiscrimination laws and regulations. The bank has appropriate policies, procedures and training programs in place to prevent discriminatory or other illegal credit practices.