

Public Disclosure

November 22, 1999

Community Reinvestment Act Performance Evaluation

**First National Bank of Wahoo
Charter Number: 2780**

**201 East Fifth Street
Wahoo, Nebraska 68066**

**Office of the Comptroller of the Currency
Omaha South Field Office
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 **First National Bank of Wahoo** prepared by The Office of the Comptroller of the Currency, as of November 22, 1999. 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."

- Lending levels are reasonable given the bank's size, financial condition, and assessment area credit needs.
- A substantial majority of the bank's agriculture and residential real estate loans are within the two assessment areas.
- The bank is lending to individuals of different incomes.
- The bank is lending to farms of different sizes.
- We did not identify any illegal discrimination or disparate treatment of applicants.

DESCRIPTION OF INSTITUTION

First National Bank of Wahoo (FNB) is a \$70 million bank located in Wahoo, Nebraska, 30 miles west of Omaha, Nebraska. FNB is 92% owned by Bank Management, Inc., a one-bank holding company. FNB also has branches in Sterling and Burchard, in Southeastern Nebraska. FNB has two Automated Teller Machines (ATMs), one in Wahoo and one in Sterling. The bank has no legal or financial impediments which preclude it from fulfilling its obligation under the CRA.

The primary lending products are agriculture and residential real estate lending. The loan portfolio as of September 30, 1999 consisted of 34% residential real estate, 33% agriculture, 27% commercial, 4% consumer, and 2% other. The bank also offers secondary market residential real estate loans through a third party. These loans are not reflected in the loan portfolio mix. The loan portfolio makes up 75% of total bank assets.

The bank received a "Satisfactory" rating at the last CRA examination dated October 25, 1996.

DESCRIPTION OF THE ASSESSMENT AREAS

The bank has two assessment areas. The first includes three Block Numbering Areas in Saunders County and the second includes all of Johnson and Pawnee Counties in Nebraska. The 1999 updated statewide median family income for Nebraska is \$39,800, and the 1990 Census median family income is \$27,623. There are eight financial institutions with main offices and five banks with branch offices located within the two assessment areas.

The major employment opportunities in the two assessment areas come from the agricultural sector, local government, and small industry. Several residents in the Wahoo assessment area also commute to Lincoln or Omaha for employment.

We determined the credit needs of the assessment areas through community contacts. We contacted a local businessman who was active in the Wahoo community. We also used prior community contacts made during other CRA examinations in the area.

The **Wahoo Assessment Area** includes the eastern half of Saunders County, encompassing Block Number Areas (BNA) #9881, #9883, and #9884. The area includes Wahoo, Colon, Cedar Bluffs, Mead, Yutan, Ithica, and Memphis. This assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. BNA #9883 and #9884 are middle-income tracts and BNA #9881 is an upper-income tract. A large percentage of the families in the assessment area are considered upper- or middle-income. The assessment area includes 10% low-income, 16% moderate-income, 29% middle-income, and 45% upper-income families. Only 9% of households are below the poverty level and 69% of the housing stock is owner occupied. This

assessment area has a population of 10,593.

The **Sterling/Burchard Assessment Area** includes all of Johnson (BNA #9975, #9976) and Pawnee (BNA# 9978) Counties in Southeastern Nebraska. The area includes Sterling, Cook, Tecumseh, Crab Orchard, and Elk Creek in Johnson County and Burchard, Lewiston, Steinauer, Pawnee City, Table Rock and DuBois in Pawnee County. This assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas. All three BNAs are middle-income tracts. This assessment area consists of 21% low income, 23% moderate-income, 26% middle income and 30% upper income. There are 7,990 people residing in this assessment area according to the 1990 census. About 15% of the households are below the poverty level in the assessment area. The housing stock is 68% owner occupied.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's lending levels are reasonable.

First National Bank of Wahoo's average quarterly loan-to-deposit (LTD) ratio since the last examination is strong at 94%. This is the highest LTD ratio of any of the bank's within the two assessment areas. There are eight financial institutions with main offices within the bank's designated assessment areas. The eight institutions are small town community banks with similar characteristics. The average LTD ratios of these institutions range from 54% to 94% for the last three years.

The bank is lending in the assessment area.

FNB originates a substantial majority of its loan within the assessment area. The following tables summarize the degree of the bank's lending within its assessment area. This examination included samples of agriculture loans in both assessment areas and a sample of residential real estate purchase loans in the Wahoo assessment area. The samples were taken using origination amounts from October 25, 1996 to present.

Table 1: IN/OUT RATIO FOR AGRICULTURE LOANS				
Wahoo assessment area				
	Number of Loans	% of Total Number	\$ of Loans (\$000)	% of Total \$
Inside assessment area	25	81%	\$7,845	89%
Outside assessment area	6	19%	\$939	11%
TOTAL	31	100%	\$8,784	100%

Table 2: IN/OUT RATIO FOR AGRICULTURE LOANS Sterling/Burchard assessment area				
	Number of Loans	% of Total Number	\$ of Loans (\$000)	% of Total \$
Inside assessment area	23	88%	\$6,302	98%
Outside assessment area	3	12%	\$156	2%
TOTAL	26	100%	\$6,458	100%

FNB originates a substantial majority of its agriculture loans inside its designated assessment areas. The Wahoo assessment area agriculture sample from Table 1 shows 81% by number and 89% by dollar volume of loans originated within the Wahoo assessment area. The Sterling/Burchard assessment area sample in Table 2 indicates even better results with 88% by number and 98% by dollar volume within the assessment area.

Table 3: IN/OUT RATIO FOR RESIDENTIAL REAL ESTATE PURCHASE LOANS Wahoo assessment area				
	Number of Loans	% of Total Number	\$ of Loans (\$000)	% of Total \$
Inside assessment area	21	78%	\$1,189	75%
Outside assessment area	6	22%	\$393	25%
TOTAL	27	100%	\$1,582	100%

FNB originates a substantial majority of its residential real estate purchase loans inside the Wahoo assessment area. The sample in Table 3 shows 78% by number, and 75% by dollar volume inside the assessment area. A sample of this product was not conducted for the Sterling/Burchard assessment area because of insufficient residential real estate purchase activity.

The bank does an effective job of lending to farms of different sizes and makes loans to individuals of different income levels.

The following tables demonstrate the bank's willingness to make loans to farms of all sizes and to individuals of different income levels. Examiners analyzed agriculture and residential real estate loans originated between October 25, 1996 and November 22, 1999. Agriculture lending was compared to the 1997 Agriculture Census data and residential lending was compared to the 1990 Census data.

Table 4: LOANS TO FARMS OF DIFFERENT SIZES					
Wahoo assessment area					
Gross Revenues of Farms **	Loans (\$000)	% of Total \$ Loans	Number of Loans	% of Total Number	% of Farms in Area*
\$1-\$100,000	\$2,571	34%	12	60%	71%
\$100,001-\$250,000	\$1,307	18%	4	20%	20%
\$250,001-\$500,000	\$2,070	28%	3	15%	6%
Over \$500,000	\$1,502	20%	1	5%	3%
TOTAL	\$7,450	100%	20	100%	100%

* Information is from the 1997 U.S. Agriculture Census for counties in the bank's AA.

** Revenue information taken from latest tax return or cash flow statement in each credit file.

Table 5: LOANS TO FARMS OF DIFFERENT SIZES					
Sterling/Burchard assessment area					
Gross Revenues of Farms **	\$ of Loans	% of Total \$ Loans	Number of Loans	% of Total Number	% of Farms in Area*
\$1-\$100,000	\$1,798	31%	11	55%	81%
\$100,001-\$250,000	\$1,483	26%	5	25%	15%
\$250,001-\$500,000	\$2,502	43%	4	20%	3%
Over \$500,000	\$0	0%	0	0%	1%
TOTAL	\$5,783	100%	20	100%	100%

* Information is from the 1997 U.S. Agriculture Census for counties in the bank's AA.

** Revenue information taken from latest tax return or cash flow statement in each credit file.

The bank does an effective job of lending to farms of different sizes. The majority of loans originated are to small and moderate-sized farms with sales less than \$250,000. Farms with less than \$250,000 in revenues were 80% by number and 52% by dollar volume in the Wahoo assessment area and 80% by number and 57% by dollar volume in the Sterling/Burchard assessment area. Although the bank's ratio for lending to farms under \$250,000 in revenues is below the 1997 Agricultural Census ratio of 91% for Wahoo and 96% for Sterling/Burchard, they are reasonable.

Table 6: RESIDENTIAL REAL ESTATE LENDING TO INDIVIDUALS OF DIFFERENT INCOME LEVELS (Wahoo assessment area)					
Borrower Income Category	Loans (\$000)	% of Total \$ Loans	Number of Loans	% of Total Number	% of Families in Income Category *
Low-Income	\$57	5%	1	5%	10%
Moderate-Income	\$242	20%	4	19%	16%
Middle-Income	\$377	32%	8	38%	29%
Upper-Income	\$513	43%	8	38%	45%
TOTAL	\$1,189	100%	21	100%	100%

* Information on income distribution comes from the 1990 U.S. Census

The bank is lending to individuals of different income levels. The bank's residential home purchase lending to all income levels is reasonable given area demographics. The sample of purchase loans since the last examination, showed 24% by number and 25% by dollar volume to low- or moderate-income families. This is in line with 10% low-income and 16% moderate- income families in the assessment area. FNB also offers secondary market home loans through a third party. These loans are not included in the sample. This type of product is more advantageous to low- or moderate-income families because of lower down payment requirements.

Geographic Distribution of Loans

We did not complete an evaluation of the bank's geographic distribution of loans. All the BNAs in the two assessment areas are middle-income tracts. A geographic distribution is not meaningful with no low- or moderate-income BNAs.

Complaints

The bank received no written complaints related to its CRA performance during this examination period.

Fair Lending

We did not detect any substantive violations of fair lending laws during the examination. The bank has satisfactory policies, procedures, and training. Our review compared loan terms on individual female and male automobile loan approvals. We sampled six females and 21 males with loans originating between January 1, 1999 to November 17, 1999.