



**Comptroller of the Currency
Administrator of National Banks**

Grand Island Duty Station
P.O. Box 129
Grand Island, Nebraska 68802

PUBLIC DISCLOSURE

May 5, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Stromsburg
Charter Number 8286**

**123 East Fourth Street
Stromsburg, Nebraska 68666**

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.
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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 Stromsburg** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of May 5, 1997. 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 First National Bank of Stromsburg has done a good job of extending agricultural loans to farms of different sizes and consumer loans to borrowers of different income levels. The vast majority of the bank's loan volume is to borrowers within its assessment area.

The following table indicates the performance level of **The First National Bank of Stromsburg** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	The First National Bank of Stromsburg 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	ANALYSIS NOT MEANINGFUL		
Response to Complaints	NO COMPLAINTS WERE RECEIVED SINCE THE PRIOR EXAMINATION		

DESCRIPTION OF INSTITUTION:

The First National Bank of Stromsburg (FNB) is a \$24 million independent institution located in east-central Nebraska. The bank does not have any branches or ATMS. FNB is primarily an agricultural lender with 60% of its loans for agricultural purposes. The remainder of the bank's \$12 million loan portfolio is vested in commercial loans (16%), 1-4 family real estate loans (13%), consumer loans (8%), and other loans (3%). There are five banks within FNB's assessment area. These banks have total assets ranging from \$11 million to \$30 million as of December 31, 1996. The loan-to-deposit ratios of these banks ranged from 60% to 91%. FNB ranked third in total asset size and fourth in loan-to-deposit ratio with 69%.

There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to comply with the Community Reinvestment Act. Previously, examiners assigned the rating "Satisfactory Record of Meeting Community Credit Needs" in a Public Performance Evaluation report dated April 28, 1994.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA:

Management designated all of Polk County and the northern half of York County, excluding the city of York, as its assessment area (AA). This is a sparsely populated rural area with several small communities. According to 1990 census information, 8,963 people reside in the AA, with 1,241 individuals in Stromsburg, 879 in Osceola and 1,912 in six other small towns. None of these communities are in a Metropolitan Statistical Area. The AA contains four block numbering areas (BNAs). Three of these are designated as middle-income BNAs and one is a low-income BNA. The low-income BNA is located along the Platte River in northeast Polk County and has a population of only 31 people. Nine percent of the households in the AA report annual incomes below the poverty level. The statewide nonmetropolitan median family income (MFI) is \$35,100. The table below shows the distribution of families within the bank's AA by income level:

Low Income Families	less than 50% of MFI	15%
Moderate Income Families	50% - 80% of MFI	16%
Middle Income Families	80% - 120% of MFI	26%
Upper Income Families	greater than 120% of MFI	43%

Agriculture and its related industries dominate the area. The nearby cities of York and Columbus provide industrial employment for many residents. Other major employers in the area are school districts and county governments. Our review of community contacts, conducted by various regulatory agencies with community members over the past two years, indicates the most pressing credit need for this area is housing loans.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

The bank maintains a reasonable loan to deposit ratio. This ratio has averaged 62% between June 30, 1994 and December 31, 1996. It increased steadily during the past 18 months, peaking at 69% as of December 31, 1996. The average loan to deposit ratio for the five banks located within the bank’s assessment area is 74% as of December 31, 1996.

Lending in Assessment Area

The bank extends the vast majority of its credit to individuals within its assessment area. According to management’s reports, about 93% of the number of loans and 93% of the dollar volume of loans were made to customers within the assessment area. We verified these percentages by sampling 40 loans and found 93% (by number) are within the assessment area.

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

The bank has done a good job of extending credit to borrowers of different incomes and farms of different sizes. The bank’s lending is concentrated in agriculture, so our analysis focused on agriculture loans. Our review of farm loans for income information revealed 18 of 18 farm operations are considered “small farms” as they had gross revenues of less than \$1 million. The distribution of these loans by level of gross income ranges from \$59,000 to \$884,000 and is summarized below (in \$000s):

\$0 - \$100	\$100 - \$250	\$250 - \$500	\$500 - \$1,000	> \$1,000	Total
4	5	8	1	0	18
22%	28%	44%	6%	0%	100%

We also reviewed 15 residential real estate loans originated between April 1996 and April 1997. The bank does a good job of meeting the credit needs of individuals within all income categories:

	Residential Loans Originated Within Assessment Area	% of Households in Assessment Area
Low Income	13%	15%
Moderate Income	27%	16%
Middle Income	27%	26%
Upper Income	33%	43%

Geographic Distribution of Loans

Because 99.7% of the area’s population resides in middle income BNAs, a specific analysis of geographic distribution is not meaningful.

Compliance with Anti-Discrimination Laws and Regulations

The bank is in compliance with anti-discrimination laws and regulations. Our review did not disclose any violations of the Fair Lending laws. We did not note any practices intended to discourage applications for the types of credit the bank offers.