



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**March 20, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**American National Bank  
Charter Number 24050**

**400 Morningside Road  
Sac City, Iowa 50583**

**Comptroller of the Currency  
Omaha North Field Office  
13710 FNB Parkway, Suite #110  
Omaha, Nebraska 68154-5298**

**NOTE: This document is an evaluation of this 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. 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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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

American National Bank, Sac City, Iowa (ANB) meets the credit needs of its assessment area. The bank's primary lending activities are to agricultural and residential real estate borrowers.

- ANB's lending level is excellent, given the institution's size, financial condition, and assessment area's credit needs.
- A majority of the bank's loans are within the assessment area.
- The bank's lending efforts result in satisfactory penetration of borrowers of different income levels and farms of different sizes.
- The Office of the Comptroller of the Currency (OCC) and ANB have not received any complaints about the bank's performance regarding the Community Reinvestment Act (CRA).

## DESCRIPTION OF INSTITUTION

ANB is a \$26 million bank located in Sac City, Iowa, in Sac County. Sac City is located approximately 85 miles east of Sioux City, Iowa in the northwestern portion of the state. The bank's main office is in Sac City, Iowa, and it has no branches. The bank has one cash dispensing automated teller machine (ATM) located at the Food Pride store at the corner of 16<sup>th</sup> Street and Highway 20 on the east side of Sac City. ANB is 100% owned by American Bancshares, Inc., a \$157 million, three-bank holding company headquartered in Holstein, Iowa. There are no legal or financial impediments limiting the bank's ability to help meet community credit needs. There is no previous CRA examination or rating as ANB only opened June 29, 2000.

As of December 31, 2002, ANB's loan portfolio comprised 89% of total assets. The bank's primary credit products are agricultural and residential real estate loans. The following table shows the percentage of each loan type originated by dollar and number as of March 28, 2003.

	<b>% of Outstanding Dollars</b>	<b>% of Outstanding # of Loans</b>
Agricultural Loans	44%	23%
Residential & HELOC Loans	33%	31%
Commercial Loans	16%	13%
Consumer Loans	6%	32%
Other Loans	1%	1%

Source: The bank's new loan origination report for the period of 06/29/00 to 3/28/03.

## **DESCRIPTION OF ASSESSMENT AREA**

ANB's assessment area (AA) includes all of Sac County. The AA includes block numbering areas (BNAs) 9801, 9802, 9803, and 9804 in Sac County. The AA consists of four middle-income BNAs. There are no low- or moderate-income BNAs in the AA. The bank's AA meets the requirements set forth in the CRA. A map of the AA can be obtained from the bank's CRA public file.

According to the 1990 U.S. Census, the population of the AA is 12,324. The Housing and Urban Development (HUD) 2002 weighted average updated median family income for the statewide non-metropolitan statistical areas in Iowa is \$49,400. The distribution of family incomes within the AA is 20% low-income, 23% moderate-income, 27% middle-income, and 30% upper-income. About 13% of the households in the AA are below the poverty level. Based on the census, the median housing value is \$27,723 and 63% of housing stock is owner-occupied.

The local economy is stable. Crop prices have been beneficial to area farmers offsetting lower livestock prices. Major employers include VT Industries, Sac City Hospital, area schools, and city and county government located throughout the AA. The local employment base has been stable due to employment opportunities in the surrounding communities in Carroll, Ida Grove, and Storm Lake, Iowa.

Eleven national and state banks, and one federal savings bank serve Sac County, which is the bank's AA. We did not consider several banks and the savings and loan as similar to the bank as they generate the majority of their deposits outside the AA. We compared the bank's lending level and activities to five similarly situated banks in the AA that had deposits ranging from \$2 million to \$53 million.

Examiners made one community contact and reviewed a second contact recently completed by the Federal Deposit Insurance Corporation. The contacts were community leaders with a good understanding of area credit needs and knowledge of area banks' efforts to meet those needs. Both contacts identified agricultural loans and residential real estate loans as community credit needs. ANB offers and originates these types of loans.

One community contact indicated ANB is a leader in providing residential real estate loans in the community. The bank has provided a more competitive environment by offering long-term fixed rate residential mortgages. ANB recently obtained federal funds to assist low- and moderate-income individuals with downpayments and closing costs.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

### **Loan-to-Deposit Ratio**

ANB's loan-to-deposit (LTD) ratio is excellent, given its size, financial condition, and AA's credit needs. The LTD average for the past ten quarters is 104%. The bank's lending level is substantially higher than the 45% average of the five similarly situated banks in the AA. The

LTD ratios of those banks ranged from 16% to 67%.

### Lending in Assessment Area

ANB originates a majority of its loans within the AA. We reviewed a sample of 20 agricultural and residential real estate loans originated between June 29, 2000 and March 28, 2003 to assess the bank's lending within the AA. We found 13 loans, or 65% of agricultural and residential loans, were made in the AA. Also, \$1,052,844 or 58% of loan volume was in the AA. The following table details the findings of our sample.

<b>ASSESSMENT AREA CONCENTRATION</b>				
	<b># of Loans</b>	<b>% of Total #</b>	<b>\$ of Loans</b>	<b>% of Total \$</b>
Inside AA	13	65%	\$1,052,844	58%
Outside AA	7	35%	\$ 746,900	42%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$1,799,744</b>	<b>100%</b>

Source: The bank's new loan origination report for the period of 06/29/00 to 3/28/03.

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

The bank has a satisfactory record of providing loans to farms of different sizes and residential borrowers of different incomes. We sampled the bank's two primary loan products to assess the bank's performance. The following is information on each sample.

#### Agricultural Loans

ANB has a satisfactory record of lending to farms of different sizes. Our sample included 20 loans within the AA that were originated since the bank opened on June 29, 2000. The following table indicates that 17 of the loans in the sample (85%) were to farms with annual revenues less than \$500 thousand. This is slightly below the U.S. Census of Agricultural Data where 99% of farms had sales revenues of less than \$500 thousand. However, only one loan we randomly sampled was to a borrower with revenues over \$1 million.

<b>LOANS TO FARMS OF DIFFERENT SIZES</b>					
<b>Gross Revenue of Farms</b>	<b># of Loans</b>	<b>\$ of Total #</b>	<b>\$ of Loans</b>	<b>% of Total \$</b>	<b>% of Farms in AA</b>
\$0 - \$100,000	6	30%	\$ 199,992	10%	86%
\$100,001 - \$250,000	9	45%	\$1,325,618	64%	9%
\$250,001 - \$500,000	2	10%	\$ 57,600	3%	4%
Over \$500,000	3	15%	\$ 481,551	23%	1%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$2,064,761</b>	<b>100%</b>	<b>100%</b>

Source: Loan sample & 1997 U.S. Census of Agricultural Data for Sac County in Iowa.

The bank does offer special farm loan programs to help meet the credit needs of young farm customers. The bank offers loans with assistance of the Iowa Farm Finance Development

Authority. During the performance period the bank, originated new loans under this program to assist customers, with outstanding balances of \$474 thousand.

Residential Real Estate Loans

The bank has a satisfactory record of providing residential real estate loans to borrowers of different income levels. Our sample included 20 residential home loans made since the bank opened on June 29, 2000. We sampled home purchase and refinance loans together. The bank’s reports do not separate different home loan products. Only borrowers within the bank’s designated AA were included in this sample.

The following table indicates that the bank’s loans are generally comparable to the low- and moderate-income demographics within the AA. The bank’s loans to moderate-income borrowers are in line with the demographics. The bank’s loan volume for low-income borrowers is below the demographics. However we expect the volume ratio to be somewhat lower as most low- income individuals purchase smaller homes, which leads to smaller dollar sized loans. This can significantly skew the dollar volume ratio.

<b>RESIDENTIAL LOANS TO INDIVIDUALS OF DIFFERENT INCOME LEVELS</b>					
<b>Income Level</b>	<b># of loans</b>	<b>% of total #</b>	<b>\$ of loans</b>	<b>% of total \$</b>	<b>% of Families in the AA</b>
Low	2	10%	\$ 25,600	2%	20%
Moderate	4	20%	\$ 262,543	23%	23%
Middle	6	30%	\$ 326,011	29%	27%
Upper	8	40%	\$ 516,500	46%	30%
<b>Totals</b>	<b>20</b>	<b>100%</b>	<b>\$1,130,654</b>	<b>100%</b>	<b>100%</b>

Source: Loan sample & U.S. Census Data.

The bank has taken steps to improve its lending to low- and moderate-income individuals. ANB is offering special loan programs to help meet these housing needs.

The bank offers loans with assistance of the Rural Homeownership Fund Program (RHFP) and Iowa Housing Assistance Program (IHAP). The RHFP determines eligibility by using total household income not to exceed 80 percent of the median income standard for the county or Multi-Statistical Area where the property is being purchased. Funds are to provide downpayment, closing costs, or rehabilitation assistance to eligible households. In 2002, the bank made four loans under the RHFP totaling \$147,900 with contributions from the program of \$10,870.

One of the four customers to receive RHFP monies also received a grant from the bank with the assistance of IHAP. IHAP is a downpayment/closing cost grant program with a maximum household income limit for Sac County of \$20,700 for a one-person family or \$27,600 for a family of two or more.

### **Geographic Distribution of Loans**

All BNAs in the AA are middle-income. Therefore, a specific analysis of the geographic distribution of loans is not meaningful.

### **Responses to Complaints**

The OCC and the bank have not received any complaints regarding the bank's CRA performance since the bank opened June 29, 2000.

### **Fair Lending Review**

An analysis of 2000 through 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.