



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

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PUBLIC DISCLOSURE

July 10, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The McCook National Bank
Charter Number 8823**

**220 Norris Avenue
McCook, Nebraska 69001**

<p>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.</p>

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 McCook National Bank** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of July 10, 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 McCook National Bank extends the majority of its loans to individuals residing within its assessment area. Loans originated in the bank's assessment area by borrower income and by businesses revenue size reflects a diverse distribution. The bank's loan to deposit ratio is reasonable, given the bank's secondary market activity and the community's credit needs.

DESCRIPTION OF INSTITUTION:

The McCook National Bank is a \$130 million institution located in southwestern Nebraska. It is owned by McCook National Company, a one-bank holding company. The bank provides the majority of its services at its main office in McCook. Deposit services are also offered at two drive-in facilities and two deposit-taking ATMs, all located in McCook. Loans represent 46% of total bank assets. The bank is primarily a business lender with real estate, agricultural, and commercial loans representing 47%, 29%, and 18% of its portfolio, respectively. The remainder of the portfolio is vested in consumer loans.

Strong loan and deposit competition comes from several financial institutions located in the community and the surrounding area. 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. The OCC previously rated the bank's CRA performance "Outstanding" at our July 21, 1994 examination.

DESCRIPTION OF ASSESSMENT AREA:

Management designated all of Red Willow County and Hitchcock County as the bank's assessment area. This area consists of four adjoining block numbering areas (BNAs). All four BNAs are designated as middle income. None of the BNAs are located within a Metropolitan Statistical Area. The assessment area does not arbitrarily exclude any low- and moderate-income areas.

Red Willow and Hitchcock Counties are rural areas with several small communities. According to 1990 census information, 15,455 people reside in the assessment area. McCook is the largest community with a population of 8,112 and serves as a regional trade center for southwestern Nebraska and northwestern Kansas. The remaining population is split between eight other small towns and the surrounding countryside.

Agriculture and its related industries dominate the area. However, retail activity is strong and provides some diversification to the local economy. Business leaders are also actively trying to attract new businesses and industry to the area. Three members of the community, contacted by examiners at this examination and at previous examinations, stated the primary identified credit needs for the area, are small business and residential real estate financing. One contact was from an organization which assists with business development in McCook. The other two contacts were local government officials.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Lending to Borrowers of Different Incomes / Businesses of Different Revenues

Loans originated in the bank’s assessment area by borrower income and by businesses revenue size reflect a diverse distribution. We reviewed a sample of 26 commercial and agricultural loans and 129 residential real estate loans for income information. Demographic data indicates approximately 81% of the businesses in the assessment area are small, with gross revenues of \$500,000 or less. Approximately 58% of the loans in our sample were to businesses with gross revenues less than \$500,000.

McCook National Bank’s residential real estate lending to borrowers of different income levels closely corresponds to the income demographics of the assessment area. The 1996 HUD estimated median family income is \$37,100. The following tables show the income breakdown of loans included in our sample.

COMMERCIAL AND AGRICULTURAL LOANS

Gross Revenues	# of Loans	% by #	\$(000) of Loans
\$0 - \$250,000	5	19.2	1,670
\$250,001 - \$500,000	10	38.5	5,836
\$500,001 - \$750,000	7	26.9	4,717
> \$750,001	4	15.4	3,579
Total	26	100%	\$15,802

RESIDENTIAL REAL ESTATE LOANS

Borrower Income Levels	% of Families in AA at each Income Level	# of Loans	Percent by # of loans
Low	18.0	18	13.9*
Moderate	19.6	26	20.2
Middle	27.1	35	27.1
Upper	35.3	50	38.8
Total	100%	129	100%

*Note: Approximately, 13% of the households in the assessment area income are below the poverty level.

Lending in Assessment Area

McCook National Bank extends the majority of its loans to individuals residing within its assessment area. Based on a zip code analysis of the bank's entire June 25, 1997 loan portfolio, approximately 76% by dollar volume and 72% by number of loans were made to customers who reside within the assessment area. Management completed the zip code analysis and examiners verified the accuracy of the results.

Loan to Deposit Ratio

McCook National Bank's loan to deposit ratio is reasonable, considering its secondary market activity. The bank's quarterly average loan to deposit ratio since the last CRA examination is 53%. Because the bank sells a large volume of residential real estate loans on the secondary market, its loan to deposit ratio is below the average ratio of the seven other community banks located in the assessment area. These banks averaged a 65% loan to deposit ratio on December 31, 1996. From 1994 to 1996, the bank sold \$5,975M in loans on the secondary market. If these loans had been retained in its portfolio, the bank's loan to deposit ratio would be higher and more comparable to other banks in the assessment area.

Geographic Distribution of Loans

We did not assess the reasonableness of loans distributed within the bank's assessment area geographically as the entire area is fully designated middle income. However, through discussions with management and a review of the bank's June 25, 1997 zip code analysis, it is readily apparent that a majority of the bank's loan customers reside throughout the assessment area.

Response to Complaints

The bank has not received any complaints regarding its CRA performance since the last examination.

Compliance with Antidiscrimination Laws and Regulations

McCook National 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 find any practices intended to discourage applications for the types of credit the bank offers.