



Comptroller of the Currency
Administrator of National Banks

Public Disclosure

March 6, 1997

Community Reinvestment Act Performance Evaluation

**First National Bank, Ames, Iowa
Charter Number 10408
Fifth and Burnett
P.O. Box 607
Ames, Iowa 50010**

**Office of the Comptroller of the Currency
Des Moines Duty Station
6200 Aurora Avenue, Suite 300W
Urbandale, Iowa 50322**

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, Ames, Iowa (FNB)** prepared by **the Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **March 6, 1997**. The agency evaluated performance in an assessment area, as delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. 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 Record of Meeting Community Credit Needs**". This is because:

- the bank is responsive to its community's credit needs and makes a substantial majority of its loans in its assessment area (AA);
- the geographic distribution of the bank's loans reflects reasonable penetration within its AA;
- the distribution of the bank's loans shows an equitable representation of borrowers based on their income levels, and
- the bank's services and products are readily accessible to its customers.

The following table indicates the performance level of First National Bank with respect to the lending, investment, and service tests.

Performance Levels	First National Bank, Ames, Iowa Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory			X
Low satisfactory	X	X	
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

FNB had total assets of \$283 million on December 31, 1996. It is wholly owned by Ames National Corporation (ANC), a \$493 million holding company. It is the largest of four ANC banks. The bank's main office, two branches and 17 proprietary automated teller machines (ATMs) are located in Ames.

There are no impediments which would hamper the bank's ability to help meet the credit needs of its local community. FNB offers a full range of loan, deposit and retail nondeposit products. Its loan-to-deposit ratio on December 31, 1996 was 53%. The bank's primary lending emphasis is commercial and residential real estate. The loan portfolio composition is as follows:

Loan Product	Percentage of Dollar Volume of the Loan Portfolio as of 12/31/96
Commercial Real Estate Loans	35.2%
1-4 Family Real Estate Loans	28.7%
Commercial Loans	17.1%
Multi-Family Housing Loans	9.0%
Agricultural Loans	1.8%
Consumer Loans	8.2%

Description of Assessment Area

Bank management identifies one AA, which we used to evaluate its CRA performance. It includes the western portion of Story County, including the city of Ames and its surrounding communities. The majority of the bank's AA is the city of Ames. It is not in a Metropolitan Statistical Area. The population of Story County is 74,252. The median home value in Story County is \$60,200, which compares to a statewide median of \$45,900.

According to data compiled by the City of Ames Assessor's Office, the average price of a home sold in Ames in 1996 was \$116,548, and the median price was \$99,025. Only 58 of the 506 home sales in Ames were of homes less than \$65,000. Just 54% of housing in the area is owner-occupied, due to both the high cost of property and the transient nature of the area's student and graduate student populations.

The median family income of Story County is \$33,618; statewide non-metropolitan median family income is \$31,659. The family breakdown of the AA by income level is 16% low-income, 11% moderate-income, 19% middle-income, and 54% upper-income. The above-average income level of the community is attributable to the large number of professional positions available in government and service positions at Iowa State University (ISU), Mary Greeley Medical Center, Iowa Department of Transportation and the Ames Community School District.

The bank's AA consists of 14 block numbering areas (BNAs). The BNAs include eight upper-income; four middle-income; no moderate-income and one low-income area. One is not applicable because it includes only ISU campus buildings. The low-income BNA consists of ISU family housing.

The Ames area includes a large number of financial institutions which provide significant competition for loans and deposits, including three local banks, six branches of regional or multinational banks and five credit unions. FNB is the largest locally-chartered institution.

We reviewed comments made by four organizations in the Ames area. These included a business development center, city and federal government agencies and a civic development group. Some comments were provided to us by Federal Deposit Insurance Corporation and the Office of Thrift Supervision examiners. The contacts consistently identify the primary needs in the area as home loans for low-income individuals and small business loans, and stated that banks in the area were meeting those needs.

Conclusions with Respect to Performance Tests

Lending Test

Lending Activity - FNB's originations of mortgage loans, small business and small farm loans in 1996 demonstrated satisfactory responsiveness to the credit needs within its AA.

Compared to nine area banks, its 53% loan-to-deposit ratio is below the average of 59%, but reasonable given the needs of the community and the strong competitive environment. It increased its home mortgage originations from 40 in 1995 to 104 in 1996.

The bank originated a substantial majority of its 1996 loans within its AA, as indicated by the following table:

Loans Made Inside and Outside FNB's Assessment Area						
Loans	% of # In	% of \$ In	%of # Out	%of \$ Out	# Origin.	\$ Origin.
Mortgage	81%	77%	19%	23%	104	9,365,000
Sm. Bus.	89%	91%	11%	9%	770	46,883,000
Sm. Farm	58%	61%	42%	39%	144	4,005,000

Geographic Distribution - The geographic distribution of FNB's mortgage loans, small business and small farm loans shows good penetration throughout the AA. The bank has made loans in almost all the BNAs in its AA, excluding the BNAs which consist of ISU housing and buildings, where there is limited opportunity to lend. The only low-income BNA in its AA is one of three university BNAs.

Loans Made within Each BNA in the AA (\$ 000)						
	Mortgage Loans		Small Business		Small Farm	
BNA	#	\$	#	\$	#	\$
0001.00 Upper	10	419	125	7,968	79	2,201
0002.00 Upper	7	520	14	358		
0003.00 Upper	22	2,377	35	1,786		
0004.00 Upper	8	608	12	122		
0005.00 Low	University Housing					
0006.00 Upper	10	1,088	17	1,003		
0007.00 Middle	4	752	13	589		
0008.00 NA	University Campus					
0009.00 Upper	5	324	171	12,631	1	6
0010.00 Middle	3	204	182	10,257		
0011.00 Upper	5	313	38	3,732		
0012.00 Middle	University Housing					
0013.01 Middle	5	282	15	859		
0013.02 Upper	5	327	60	3,365	3	230

Borrower Distribution - The bank's lending to borrowers of different incomes and sizes is reasonable. We sampled 47 of the 104 single family residential real estate loans originated in 1996 to determine the breakdown by income category. We also reviewed internal reports prepared by the bank for small business and small farm lending.

The majority of the bank's residential real estate loans are to upper-income families. The bank had no loans to low-income borrowers. This occurred because low-income families can not typically afford the payments on a home in the Ames area. The average home price in Ames in 1996 was \$116,548. Also, 78% of all home sales were of homes priced over \$80,000. To address the housing needs of low- and moderate-income individuals, the bank has made a number of loans through the City of Ames Affordable Housing Program. Most of the loans made through this program are to middle-income borrowers because low-income individuals can not afford a home through the program. See *Community Development Loans* section for details.

Mortgage Loans Originated in 1996 by Borrower Income Level - In the Assessment Area				
	Low	Moderate	Middle	Upper
Bank Distr.	0%	9%	13%	79%
AA Distribution	16%	11%	20%	54%

The distribution of business and farm loans originated in 1996 reflects a good representation of borrowers of different sizes within the AA, particularly very small borrowers.

Small Business Loans Originated in 1996 - In the Assessment Area				
\$ in 000's	# Loans	% # Loans	\$ Loans	% \$ Loans
Loans < \$100	574	84%	\$15,389	36%
Loans \$100-\$250	72	11%	\$11,449	27%
Loans > \$250	36	5%	\$15,832	37%
Above Loans to Businesses w/Revenues < \$1,000	514	75%	\$24,201	57%

Small Farm Loans Originated in 1996 - In the Assessment Area				
\$ in 000's	# Loans	% # Loans	\$ Loans	% \$ Loans
Loans < \$100	80	96%	\$2,078	85%
Loans \$100-\$250	3	4%	\$359	15%
Loans > \$250	0	0	0	0

Above Loans to Farms with Revenues < \$1,000	78	94%	\$2,135	88%
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Community Development Loans - The bank participates in community development lending in its AA. The bank made two loans totaling \$40,000 to a group that provides recreational and social services for area youth. It holds a \$400,000 participation in a \$1.2 million line of credit to revitalize a downtown building for an organization which provides youth counseling services. This loan was made at below-market rates, creating a \$55,500 savings (\$18,500 per participating bank) for the borrowers. The individuals who utilize these organizations' services are primarily from low- to moderate-income families.

In addition, the bank made three loans in 1995 and 1996, and seven loans altogether, through the City of Ames Affordable Housing Program, which is designed to create and revitalize housing for low- or moderate-income individuals. Between 1993 and 1996, the city originated a total of 48 loans through eight local banks participating in the program. The program was designed to give all eight banks equal participation in the program. However, starting in 1997 the city decided to originate all loans through one large regional bank with a branch in Ames.

Investment Test

FNB's record of qualified investments is commensurate with the opportunities available in its AA. The bank purchased a reissue of an Iowa Finance Authority Multifamily Housing refunding revenue bond totaling \$735,000. Proceeds of the bond were used to build 160 residential rental apartments in the City of Ames. Bank management reported that 20% of the units, or 32 apartments, were reserved for rental to low-income families. The bank's portion of this investment that qualifies as community development is 20%, or \$147,000.

In addition, the bank made direct donations to area organizations that serve low- to moderate-income individuals, including:

- o Boys and Girls Clubs of Ames -- For the years 1995 through 2000, the bank pledged \$2,500 per year toward completion of a new facility. The majority of the individuals utilizing the services of the Boys and Girls Club of Ames are from low- to moderate-income families. This organization also assists its older members in searching for and applying for jobs.

- o United Way -- 20 bank officers participated in the fundraising campaign, during which FNB pledged \$15,738, a 6% increase over 1995. The United Way of Ames includes 21 social service agencies. Of these 21 agencies, 17 directly serve low- to moderate-income individuals, while the other three are available to anyone interested.

Service Test

Retail Banking Services - The bank offers a variety of products and services which are easily accessible to the community through the main bank, two branches and 17 ATMs.

Banking hours are comparable to those offered by much larger regional and multinational competitors. Lobbies are open until 5 p.m. Monday through Friday, and all locations offer Saturday hours. The bank offers expanded hours at its Cub Foods Grocery Store location Sundays from 12-4 p.m. It also offers a 24-hour touchtone teller service which enables customers to inquire about or make transfers between their accounts.

Community Development Services - Bank employees contribute considerable expertise in finance and credit to area organizations which provide services to low- and moderate-income individuals.

- o One officer participated in a series of Thriving Families workshops. These workshops included representatives of the community, including low- and moderate-income individuals, who are seeking ways to improve the living conditions of area families. The bank officer was available at those meetings to assist all interested individuals, including low- and moderate-income individuals, in applying for credit.

- o The bank's president and representatives of the Board of Directors hosted nine CRA luncheons attended by a total of 70 different community members. Guests are invited to discuss the bank's record of meeting community credit needs, specifically for low- and moderate-income residents.

- o Five officers participated in the 1996 Story County Executive Call Program to inform and explain to local businesses programs available through the Ames Economic Development Commission.

- o Officers are active in presenting educational programs to groups, including ISU international students, international bankers visiting Ames through ISU programs and Ames public school students.

Fair Lending Review - We did not identify any violations of the substantive provisions of anti-discrimination laws and regulations. The institution's policies, procedures, training and internal assessment are satisfactory.