

# **PUBLIC DISCLOSURE**

**July 28, 1997**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Corwith State Bank  
16710**

**103 NW Elm Street  
P.O. Box 37  
Corwith, Iowa 50430**

**Federal Deposit Insurance Corporation**

**2345 Grand Avenue, Suite 1500  
Kansas City, Missouri 64108**

**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.

## TABLE OF CONTENTS

I.	General Information. ....	1
II.	Institution Rating. ....	1
III.	Description of Institution . ....	2
IV.	Description of Assessment Area. ....	2-4
V.	Conclusions. ....	5-7

## 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 **Corwith State Bank, Corwith, Iowa**, prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **July 28, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated Outstanding.

The bank has made outstanding efforts to provide credit to its community commensurate with its size, financial condition, and assessment area needs. The institution's average, net loan-to-deposit ratio is very reasonable when compared to other area financial institutions. In addition, a substantial majority of loans have been made within the bank's assessment area. Finally, the sampled loans showed excellent penetration among farms of different sizes and were reasonably dispersed throughout the bank's assessment area.

## **DESCRIPTION OF INSTITUTION**

Corwith State Bank operates from its main office in Corwith, Iowa, as well as a recently opened branch in Wesley, Iowa. The bank's loans are concentrated in farm lending; however, the bank also originates loans for commercial, residential real estate, and a variety of consumer purposes. The June 30, 1997, Report of Income and Condition showed total loans of \$15,760,000 and total assets of \$21,839,000. This source also showed the following loan portfolio mix:

<b>LOAN TYPE</b>	<b>PERCENTAGE OF LOAN PORTFOLIO</b>
Farm Real Estate	12%
Farm	67%
Residential Real Estate	7%
Commercial Real Estate	3%
Commercial	8%
Consumer	3%
Total	100%

No factors were noted which would limit the bank's ability to meet various community credit needs based on its financial condition, size, legal impediments, local economic conditions, or other factors.

## **DESCRIPTION OF CORWITH STATE BANK'S ASSESSMENT AREA**

Corwith State Bank's assessment area consists of four block numbering areas (BNAs). These four BNAs are 9704 of Hancock County, 9502 of Kossuth County, 9701 of Humboldt County, and 9801 of Wright County. BNA 9704 encompasses the western part of Hancock County including the towns of Corwith, Kanawha, and Woden. The second BNA, 9502 covers the southeastern portion of Kossuth County including the towns of Wesley, Titonka and LuVerne; and borders the eastern edge of Algona. BNA 9701 encompasses the western half of Humboldt County including the cities of Renwick, Hardy, Livermore, and Thor, but excluding the cities of Humboldt and Dakota City. Finally, BNA 9801 covers the northern section of Wright County and includes the city of Belmond. All the cities in the assessment area have a 1990 U. S. Census population of less than 1,000 with the exception of Belmond, which has a population of 2,500. Corwith and Wesley had 1990 populations of 354 and 444, respectively. The following table provides additional 1990 U.S. Census Bureau information for the assessment area:

<b>BNA</b>	<b>Population</b>	<b>Population Percent 65 and over</b>	<b>Housing Units</b>	<b>Families</b>	<b>Median Family Income</b>
9502	3,250	20%	1,358	949	\$27,078
9704	2,768	20%	1,210	800	\$28,021
9701	2,540	21%	1,144	763	\$28,975
9801	3,746	23%	1,820	1,094	\$31,333
Assessment Area	12,304	21%	5,532	3,606	\$28,851

The assessment area's geographies have been divided into income level categories using the 1990 State of Iowa non-metropolitan median family income of \$29,303. All four assessment area BNA's are middle-income geographies. The following table shows how BNAs are categorized based on their median family incomes compared to the State of Iowa non-metropolitan median family income:

<b>INCOME</b>	<b>BNA MEDIAN FAMILY INCOME AS A PERCENT OF NON MSA MEDIAN FAMILY INCOME</b>	<b>1990 RANGES BASED ON \$29,303 IOWA NON MSA MEDIAN</b>
LOW	Less than 50 percent	Less than \$14,652
MODERATE	Greater than 50 but less than 80 percent	From \$14,652 to \$23,441
MIDDLE	Greater than 80 but less than 120 percent	From \$23,442 to \$35,163
UPPER	Greater than 120 percent	\$35,164 and Greater

The area's economy is strong. Most economic activity is agriculture based and farm prices have been generally high for the last couple of years. Area employment opportunities include Gold Eagle Elevator in Corwith and Goldfield, Eaton Corporation in Belmond, Winnebago in Forest City, Hormel and Snap-On Tools in Algona, Pioneer Seeds in Renwick, Keifer Built in Kanawha, and Hankins Trucking in Corwith. The Iowa Department of Labor reports that the seasonally adjusted, unemployment rate for the State of Iowa during the months of May and June 1997 held steady at a low three percent. The seasonally unadjusted unemployment rates for the counties within the bank's assessment area are as follows:

<b>County</b>	<b>May 1997 Unemployment Rate</b>	<b>June 1997 Unemployment Rate</b>
Hancock	2.1%	2.2%
Kossuth	1.9%	2.0%
Wright	2.1%	2.7%
Humboldt	1.8%	1.9%

The final table in this section shows the distribution of farms by size for the four counties included in the assessment area using 1992 U.S. Census Bureau Agriculture data. This information includes data summaries for the entire county rather than for just those BNAs in the assessment area.

<b>Distribution of Farms by 1992 Annual Farm Revenues</b>				
<b>Annual Sales</b>	<b>Hancock</b>	<b>Kossuth</b>	<b>Wright</b>	<b>Humboldt</b>
Less than \$100,000	60%	59%	57%	55%
From \$100,000 to \$250,000	29%	31%	31%	31%
From \$250,000 to \$500,000	9%	8%	10%	12%
Over \$500,000	2%	2%	2%	2%
Totals	100%	100%	100%	100%

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LOAN-TO-DEPOSIT RATIO

The bank's loan-to-deposit ratio is very reasonable given the bank's size, financial condition, and assessment area credit needs. The following table shows the average quarterly net loan-to-deposit ratio for the bank and other banks in and near the assessment area from September 30, 1995, to March 31, 1997. These average ratios were calculated using information from Reports of Income and Condition. The following listed banks are those which are most comparable to Corwith State Bank based on size, market served, and products offered:

BANK	NET AVERAGE LOAN- TO-DEPOSIT RATIO	TOTAL ASSETS AS OF MARCH 31,1997
Burt Savings Bank Burt, Iowa	74%	\$19,681,000
<b>Corwith State Bank Corwith, Iowa</b>	<b>73%</b>	<b>\$21,845,000</b>
Farmers & Traders Savings Bank Bancroft, Iowa	66%	\$30,405,000
Farmers State Bank Algona, Iowa	77%	\$38,366,000
First State Bank Britt, Iowa	50%	\$42,880,000
State Bank of Ledyard Ledyard, Iowa	75%	\$21,844,000

The bank's loan-to-deposit ratio is comparable to its peers and has been trending upward. According to submitted Report of Income and Condition information, the bank's loan-to-deposit ratio reached 80 percent as of June 30, 1997.

Conclusions for the other performance criteria were based on results from a reviewed sample of farm and farm real estate loans. This loan review and subsequent analysis and conclusions were considered within the context of the assessment area's economy, credit needs, and competition among financial institutions. The sample includes 111 of 250 farm and farm real estate loans originated since January 27, 1997.

### **LENDING IN THE ASSESSMENT AREA**

The bank has made almost all of its loans within its assessment area. The following table shows the percentage of loans made inside and outside of the assessment area by number and dollar amount:

<b>FARM AND FARM REAL ESTATE LOANS</b>				
	Number	Percent	Amount	Percent
<b>IN</b>	105	95%	\$2,818,622	95%
<b>OUT</b>	6	5%	\$144,827	5%
<b>TOTAL</b>	111	100%	\$2,963,449	100%

### **LENDING TO FARMS OF DIFFERENT SIZES**

The reviewed sample reflects very good penetration among farms of different sizes, given the farm composition within the assessment area. The following table shows the income distribution of sampled loans based on both the number and dollar amount of loans sampled. This analysis is based on only the 105 sampled loans which were made in the assessment area.

<b>FARM AND FARM REAL ESTATE</b>				
Gross Annual Revenues	Number	Percent	Amount	Percent
Less than \$100,000	47	45%	\$688,426	24%
\$100,000 to \$249,999	43	41%	\$1,762,066	63%
\$250,000 to \$499,000	15	14%	\$368,130	13%
Total	105	100%	\$2,818,622	100%

## **GEOGRAPHIC DISTRIBUTION OF LOANS**

A review of the geographic distribution of loans shows that the sampled loans are reasonably dispersed throughout the assessment area. As stated previously, the entire assessment area is considered middle income with no low- or moderate-income BNAs. The sample shows that the bank's farm loans are concentrated in BNAs 9704 and 9502, which are the BNAs that contain the main bank in Corwith and the branch in Wesley. The following table shows the distribution of sampled loans in the assessment area BNAs.

<b>FARM AND FARM REAL ESTATE</b>				
	<b>Number</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
HANCOCK 9704	46	44%	\$1,245,192	44%
KOSSUTH 9502	50	48%	\$1,325,486	47%
HUMBOLDT 9701	8	7%	\$238,444	8%
WRIGHT 9801	1	1%	\$9,500	1%
Total	105	100%	\$2,818,622	100%

## **RESPONSE TO CRA-RELATED COMPLAINTS**

The bank has not received any CRA-related complaints.

## **COMPLIANCE WITH FAIR LENDING LAWS**

No apparent violations of the substantive provisions of the anti-discrimination laws and regulations were identified. A review of the bank's loan policy, credit files, and CRA files did not reveal any practices which are intended to discourage applications for credit.