

# **PUBLIC DISCLOSURE**

January 21, 2025

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Benton County State Bank  
Certificate Number: 13774

212 Locust Street Northeast  
Blairstown, Iowa 52209

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
Kansas City Regional Office

1100 Walnut Street, Suite 2100  
Kansas City, Missouri 64106

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 RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

Benton County State Bank (BCSB)'s satisfactory Community Reinvestment Act (CRA) performance under the Lending Test supports the overall rating. The following points summarize BCSB's performance.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment area.
- A majority of small farm loans are inside the institution's assessment area.
- The assessment area does not include any low- or moderate-income geographies; therefore, this criterion was not evaluated.
- The distribution of borrowers reflects an overall reasonable penetration among farms of different revenue sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

## DESCRIPTION OF INSTITUTION

BCSB is a community bank operating from its sole location in Blairstown, Iowa and is wholly owned by one-bank holding company, Blairstown Bancorp, Inc., also in Blairstown. BCSB received a Satisfactory rating at its previous Federal Deposit Insurance Corporation Performance Evaluation dated February 19, 2019. The institution has not opened or closed any branches, and no merger or acquisition activities have occurred since the prior evaluation.

The institution offers agricultural, residential real estate, commercial, and consumer loan products, with a primary focus on agricultural lending. BCSB provides access to various government-sponsored programs to assist farms and businesses in obtaining affordable financing through the U.S. Department of Agriculture's Farm Service Agency and the Small Business Administration. BCSB participated in the Small Business Administration's Paycheck Protection Program to assist agricultural and commercial operations adversely impacted by the COVID-19 pandemic. The institution also offers first-time homebuyer assistance from the Iowa Finance Authority.

BCSB provides a variety of deposit-related products that include checking, savings, time certificate accounts, and individual retirement accounts. Alternative banking products include debit cards, safe deposit boxes, direct deposit, online banking, and wire transfers. BCSB operates two cash-dispensing ATMs; one located onsite at the bank and one at a local convenience store.

Assets totaled approximately \$50.3 million as of September 30, 2024, representing a 12.0 percent increase since the December 31, 2018, Consolidated Reports of Condition and Income (Call Report). Total deposits equaled approximately \$36.8 million, representing a 21.4 percent increase, and total loans equaled approximately \$33.7 million, representing a 1.5 percent decrease during the same timeframe. Portfolio concentrations remained generally consistent throughout the review period. Agricultural lending represents 79.4 percent of the total loan portfolio, a slight decrease of 2.3 percent from the previous evaluation. Residential real estate represents 9.6 percent, a slight increase of 0.8 percent. Commercial lending represents 9.2 percent, a slight increase of 4.6 percent during the same timeframe. Management attributes the decrease in farm lending to an overall decline in credit demand resulting from strong liquidity and increased interest rates. The influx of COVID-19 pandemic stimulus, disaster-related payments, and government subsidies made to farms, businesses, and individuals, along with historically high commodity prices allowed them to pay down existing debt and fund operations with cash. The increase in interest rates has slowed expansion and equipment purchases, and increased competition among lenders. The slight increase in residential real estate and commercial lending were the result of normal business operations. Composition of the loan portfolio is illustrated in the following table.

<b>Loan Portfolio Distribution as of 9/30/2024</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	458	1.4
Secured by Farmland	22,734	67.4
Secured by 1-4 Family Residential Properties	3,218	9.6
Secured by Multifamily (5 or more) Residential Properties	0	0.0
Secured by Nonfarm Nonresidential Properties	2,300	6.8
<b>Total Real Estate Loans</b>	<b>28,710</b>	<b>85.2</b>
Commercial and Industrial Loans	806	2.4
Agricultural Production and Other Loans to Farmers	4,036	12.0
Consumer Loans	150	0.4
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	6	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
<b>Total Loans</b>	<b>33,708</b>	<b>100.0</b>
<i>Source: Call Report</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. BCSB has defined one assessment area comprised of Benton County census tracts 9602 and 9606 and Iowa County census tracts 9601 and 9602. The Benton County census tracts are part of the Cedar Rapids, Iowa Metropolitan Statistical Area, while the Iowa County census tracts are within the nonmetropolitan area of Iowa. The assessment area boundaries in Benton County changed since the previous CRA evaluation with the removal of census tract 9607 and the addition of census tract 9602 to better represent the bank's lending area. Management stated that agricultural loan opportunities were limited in census tract 9607 as that area is served by two other financial institutions. The income designation for Iowa County census tract 9601 changed from middle to upper income as a result of the 2020 U.S. Census. The institution's sole physical office is in Benton County census tract 9606.

### **Economic and Demographic Data**

According to the 2020 U.S. Census, BCSB's assessment area is comprised of three middle- and one upper-income census tracts. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	4	0.0	0.0	75.0	25.0	0.0
Population by Geography	13,513	0.0	0.0	71.8	28.2	0.0
Housing Units by Geography	6,203	0.0	0.0	71.0	29.0	0.0
Owner-Occupied Units by Geography	4,727	0.0	0.0	68.0	32.0	0.0
Occupied Rental Units by Geography	865	0.0	0.0	88.0	12.0	0.0
Vacant Units by Geography	611	0.0	0.0	70.4	29.6	0.0
Businesses by Geography	1,834	0.0	0.0	65.6	34.4	0.0
Farms by Geography	394	0.0	0.0	79.4	20.6	0.0
Family Distribution by Income Level	4,017	14.2	20.0	25.6	40.2	0.0
Household Distribution by Income Level	5,592	17.5	14.0	21.4	47.2	0.0
Median Family Income – Cedar Rapids, Iowa Metropolitan Statistical Area		\$85,854	Median Housing Value			\$153,859
Median Family Income – Nonmetropolitan Iowa		\$71,763	Median Gross Rent			\$666
			Families Below Poverty Level			5.2%
<i>Source: 2020 U.S. Census and 2024 D&amp;B Data. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0%.</i>						

According to 2024 D&B data, service industries represent the largest portion of business and farm operations in the assessment area at 26.7 percent; followed by agriculture, forestry, and fishing establishments at 17.7 percent; non-classifiable establishments at 17.6 percent; and retail trade at 11.6 percent. In addition, 70.7 percent of operations in the assessment area have less than five employees, and 92.6 percent operate from a single location.

### **Competition**

The assessment area is considered moderately competitive in the market for financial services. According to Call Reports filed by financial institutions, seven banks operate from eight offices within the assessment area. These institutions range from small community banks to larger financial institutions operating branch offices in the area. Of these institutions, BCSB is ranked 6<sup>th</sup> with 10.4 percent of the deposit market share. The top three banks own 61.6 percent of the deposit market share.

### **Community Contact**

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying community credit needs. This information helps to determine whether local financial institutions are responsive to identified credit needs and provides context regarding available opportunities for area financial institutions. Examiners referenced a recently conducted interview with a representative from an economic education and outreach organization that serves the assessment area.

The community contact stated that the area mainly depends on agriculture. A robust agricultural economy combined with pandemic-related financial support has led to strong cash flows for local

farmers. As a result, many have been able to pay down existing loans, leading to a notable decrease in loan demand. However, the contact mentioned that some livestock feeders are beginning to face challenges this year due to lower-than-anticipated profit margins. Additionally, rising input prices for commodities have slightly impacted the profitability of crop farmers. Given potential shifts in economic conditions, agricultural loan demand might rise in the near future.

### **Credit Needs**

Based on information from the community contact, bank management, and economic and demographic data, examiners determined that agricultural, commercial, and home mortgage loans represent primary credit needs of the assessment area. Call reports filed by area financial institutions also support this assertion.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation covers the period from the prior evaluation dated February 19, 2019, to the current evaluation date. Examiners used Interagency Small Institution Examination Procedures to evaluate the institution's CRA performance. These procedures include a Lending Test, which is further described in the Appendices.

### **Activities Reviewed**

Examiners determined that the major product line of the institution is small farm loans. This determination is based on the institution's business strategy, the number and dollar volume of loans originated during the evaluation period, and a review of the institution's Call Report data. Examiners did not evaluate home mortgage or small business lending as they are not major product lines. For the period between January 1, 2024, and December 31, 2024, BCSB originated or renewed six home mortgage loans totaling approximately \$1.1 million and nine commercial loans totaling approximately \$1.8 million. Given the limited number of loans, an analysis would not provide meaningful conclusions. Lastly, management indicated that home mortgage and commercial lending are not primary focuses of the institution.

Examiners used the bank's automated loan download to identify primary product lines and assemble the universe of loans. Management stated that loan activity during 2024 is representative of the bank's performance during the evaluation period. As such, examiners reviewed all small farm loans originated or renewed between January 1, 2024, and December 31, 2024. For the Assessment Area Concentration performance criterion, examiners analyzed the entire universe of small farm loans. Specifically, examiners reviewed 17 small farm loans totaling approximately \$3.5 million. For the Borrower Profile performance criterion, examiners analyzed all small farm loans originated to entities operating inside the assessment area. Specifically, 14 small farm loans totaling approximately \$2.3 million were reviewed.

The standard of comparison for small farm loans was 2024 D&B data. Examiners obtained the data necessary for this evaluation from institution loan data, individual customer loan files, and interviews with bank management. Examiners analyzed lending performance by both the number and dollar volume of loans; however, the performance by number of loans was emphasized as it is generally a better indicator of the number of farms served.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

BCSB demonstrated reasonable performance under the Lending Test. The institution’s reasonable Loan-to-Deposit Ratio, Assessment Area Concentration, and Borrower Profile performance supports this conclusion. The following is a discussion of each performance criterion and their support for the institution’s overall rating.

#### Loan-to-Deposit Ratio

The institution’s loan-to-deposit ratio is reasonable given its size, financial condition, and credit needs of the assessment area. BCSB’s net loan-to-deposit ratio, calculated from Call Report data, averaged 94.9 percent over the past 23 quarters from March 31, 2019, to September 30, 2024. The ratio ranged from a high of 112.3 percent as of March 31, 2020, to a low of 80.4 percent as of June 30, 2023. The average net loan-to-deposit ratio at the last evaluation was 109.5 percent. Since then, deposits have steadily increased while loans have remained generally consistent. Comparable institutions have experienced similar changes in deposits, but total loans have increased in both institutions. As shown in the following table, BCSB’s average net loan-to-deposit ratio exceeds those of similarly-situated institutions. Examiners selected comparable institutions based on asset size, geographic location, and lending focus.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of 9/30/2024 (\$000s)</b>	<b>Average Net Loan-to-Deposit Ratio (%)</b>
<b>BCSB, Blairstown, Iowa</b>	<b>50,295</b>	<b>94.9</b>
Atkins Savings Bank & Trust, Atkins, Iowa	150,761	72.7
The Watkins Savings Bank, Watkins, Iowa	77,604	44.7
<i>Source: Call Reports 3/31/2019 – 9/30/2024.</i>		

#### Assessment Area Concentration

The institution made a majority of its small farm loans, by number and dollar amount, within the assessment area. Overall, this concentration demonstrates the bank’s willingness to meet the credit needs of the assessment area. See the following table for details.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans</b>				<b>Total \$(000)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	#	%	#	%		\$(000)	%	\$(000)	%	
Small Farm	14	82.4	3	17.6	17	2,310	66.9	1,145	33.1	3,455
<i>Source: 2024 Bank Data. Due to rounding, totals may not equal 100.0%.</i>										

#### Geographic Distribution

The assessment area does not include any low- and moderate-income geographies, and a review of

the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

**Borrower Profile**

The distribution of borrowers reflects overall reasonable penetration among farms of different revenue sizes. Examiners focused on the number of loans to farms with gross annual revenues of \$1.0 million or less.

BCSB’s distribution of small farm loans reflects reasonable penetration among operations of different revenue sizes given additional performance considerations. As reflected in the following table, BCSB’s percentage of loans to operations with gross annual revenues of \$1.0 million or less is lower than benchmark D&B data. The 2022 U.S. Census of Agriculture data for the counties that comprise the assessment area reveals that 51.4 percent of farm producers in the assessment area are small hobby farmers. These farmers list their principal occupation as “other than farming” and earn less than \$2,500 in sales per year. The same data also shows that 54.2 percent of farms reported not incurring any interest expense. These statistics demonstrate there are a significant proportion of operators with limited or no borrowing needs. Management reported that the three entities with revenues over \$1.0 million have recently crossed that threshold due to historically high commodity prices. Given these factors, the institution’s performance in this area is reasonable.

<b>Distribution of Small Farm Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Farms</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	99.0	11	78.6	1,150	49.8
>\$1,000,000	0.8	3	21.4	1,160	50.2
Revenue Not Available	0.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>2,310</b>	<b>100.0</b>
<i>Source: 2024 D&amp;B Data; Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

**Response to Complaints**

The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the rating.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices.

## APPENDICES

### SMALL BANK PERFORMANCE CRITERIA

#### Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

## GLOSSARY

**Aggregate Lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**American Community Survey (ACS):** A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Area (CBSA):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**FFIEC-Estimated Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Loans:** Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary

counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Nonmetropolitan Area (also known as non-MSA):** All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Rated Area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Upper-Income:** Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.