



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**January 14, 2002**

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

**The First National Bank of Louisburg  
Charter Number 11798**

**1201 West Amity  
Louisburg, Kansas 66053**

**Comptroller of the Currency  
Kansas City South Field Office  
6700 Antioch Road, Suite 450  
Merriam, Kansas 66204**

**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.**

## **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 First National Bank of Louisburg, Louisburg, Kansas, as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of January 14, 2002. 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.**

The First National Bank of Louisburg is helping to meet the credit needs of its assessment area.

- The bank's loans are reasonably distributed among borrowers of various income levels.
- The bank's loan-to-deposit ratio is satisfactory based on its competitive environment and the opportunities for loan growth within the assessment area. The loan-to-deposit ratio has averaged 51% since the last Performance Evaluation (July 1996).
- The bank has a satisfactory record of lending within the assessment area. Approximately 62% (by number and dollar) of all loans sampled were granted to borrowers located within the bank's assessment area.
- The bank has received no consumer complaints.

## DESCRIPTION OF INSTITUTION

The First National Bank of Louisburg (FNB) is a \$67.3 million dollar bank located in Louisburg, Miami County, Kansas. The bank does not have a direct ownership by a holding company. Nearly 45% of FNB's total assets are loans, according to the September 30, 2001 Report of Condition. The bank's main office, one branch, and two cash-dispensing ATMs are located in Louisburg, Kansas. The bank has another branch bank in Stillwell, Kansas, in adjoining Johnson County. The branch bank in Stillwell was opened during 1999.

FNB is a full-service banking institution offering a full range of both lending and deposit services at all locations, including drive up services and automated teller machines. FNB also has an ATM located at a convenience store in Louisburg. Based on the volume of loans originated during the evaluation period of January 1997 to September 2001, (by loan type), the bank's primary loan products are residential real estate loans (by number and dollar volume) and consumer loans (by number). There are no legal or financial circumstances limiting the bank's ability to help meet the credit needs of the community. The bank was rated Satisfactory at its last CRA examination that was conducted on July 10, 1996.

The following table shows a breakdown of the bank's loan portfolio as of September 30, 2001.

Loan Type	Number of Loans	Percent	Dollar Amount (\$000)	Percent
<b>Construction &amp; Development</b>	15	1.8%	1,314	4.3%
<b>1 - 4 Family Residential</b>	253	<b>31.1%</b>	15,442	<b>50.6%</b>
<b>Farmland</b>	46	5.7%	3,346	11.0%
<b>Commercial Real Estate</b>	30	3.7%	4,341	14.2%
<b>Agriculture Production</b>	22	2.7%	383	1.3%
<b>Commercial</b>	104	12.8%	2,732	9.0%
<b>Consumer</b>	330	<b>40.6%</b>	2,234	7.3%
<b>Lease Financing</b>	9	1.1%	426	1.4%
<b>Other Purposes</b>	4	0.5%	271	0.9%
<b>TOTAL</b>	813	100%	30,489	100%

## DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) increased from four census tracts in northern Miami County to include seventeen census tracts in southern Johnson County, which surround the bank's new branch and are contiguous to its original AA. The AA, located in the southern portion of the Kansas City, Missouri/Kansas Metropolitan Statistical Area (MSA) 3760, consists of middle- and upper-income tracts at 43% and 57%, respectively, and there are no low- or moderate-income tracts in the AA. The FNB's AA complies with the requirements of the regulation, and does not arbitrarily exclude low- or moderate-income geographies.

The following tables contain demographic information about the bank's assessment area:

ENTIRE ASSESSMENT AREA		CENSUS TRACT INFORMATION	
Northeast Miami County and the Southern quarter Johnson County		21 Census Tracts - 9 middle-income - 12 upper-income	
Population	104,303		
Families	28,442	- 8.8% low-income - 12.8% moderate-income - 20.5% middle-income - 57.9% upper-income	
Households	35,217	Owner Occupied Housing	68%

*Data Source - 1990 U.S. Census \*HUD - U.S. Department of Housing and Urban Development*

We evaluated FNB's performance for Home Mortgage Disclosure Act (HMDA) reportable real estate purchase and refinancing loans, and a sample of consumer loans originated during 1996 through 2001.

South Johnson County / northeast Miami County, Kansas, just 30-minutes from downtown Kansas City, Missouri, is one of the fastest growing areas in the Kansas City metropolitan area. Unemployment in the AA is low at 1.85%. The AA has a large volume (93%) of occupied housing units, with 68% owner occupied, and a median value of housing of \$102,956. The \$37,652 weighted average of the stated MSA statewide 1990 census median family income was updated to \$62,200 in 2001. The 1990 census indicates that 4.46% of the households were below the poverty level.

The school district, health care, retail, and service industries provide most of the employment in the area. FNB faces increasing competition from other financial institutions. Management considers the four institutions in Miami County, which have assets ranging from \$50 million to \$470 million, as its primary competition. The bank's competitors also include branches of larger financial institutions from the metropolitan area. Additionally, financial institutions located in surrounding communities aggressively compete for loans and deposits.

During the evaluation, we made one community contact and reviewed reports from two previous contacts by various regulators to assess community credit needs. These contacts were made within the bank's AA. We talked with a representative of a community development organization that focuses on enhancing and promoting the area's economy through support of new and existing businesses. According to the community contact, the primary credit needs are loans to businesses moving into the county and residential real estate lending. The contact considers the level of community development opportunities available to the financial institutions to be limited. The contacts said that the credit needs of the community are being met.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The evaluation of FNB's lending performance is based upon a sample of loans taken from the population of 1-4 family residential real estate and consumer loans. The sample consists of all HMDA reported residential real estate purchase and refinancing loans and 35 consumer loans originating since January 1997.

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

The bank's loan-to-deposit ratio is satisfactory, considering the level of competition in the bank's AA. The bank's quarterly average loan-to-deposit ratio since the last evaluation is 50.9%, which demonstrates it is committed to meeting the credit needs of its community. The average quarterly loan-to-deposit ratios for similarly situated banks ranged from 61.9% to 75.2%. We used three banks in Johnson and Miami Counties similar in size, additional locations, and product offering as FNB for comparison. While Miami County has four independent banks, one of the four banks is significantly larger than the other three, with total assets over nine times the smallest of the four banks and five times larger than the next largest of the four banks. FNB also has a larger volume of public funds impacting its loan-to-deposit ratio. Since the fourth quarter of 1998, FNB has reported \$15 million in deposits from the local school district for the building of a new high school. The balance declined once construction began and should be completely drawn in 2002, when the building is projected to be complete. Prior to this deposit, the bank had a quarterly average loan-to-deposit ratio of 56.4%, compared to the ratio range of 56% to 76% for the three banks.

### **Lending in Assessment Area**

FNB's record of lending within its assessment area is satisfactory. The bank originated the majority of its primary loan products in its AA. The overall average of loans made within the FNB's AA is 62% (by both number and dollar volume). We reviewed 100% of the bank's home purchase and refinance loans originated from 1997 through 2001. In addition, we reviewed a sample of consumer loans originated during the same time period.

The following table shows the loans extended inside and outside the bank's AA by number and dollar volume of loans originated.

<b>Comparison of Credit Extended Inside and Outside of the Assessment Area</b>						
	<b>Home Purchase</b>		<b>Home Refinance</b>		<b>Consumer</b>	
	<b>Number</b>	<b>Dollar</b>	<b>Number</b>	<b>Dollar</b>	<b>Number</b>	<b>Dollar</b>
<b>In the assessment area</b>	59%	64%	63%	61%	63%	57%
<b>Out of the assessment area</b>	41%	36%	37%	39%	37%	43%

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Given the high level of competition for loans and a market that is being well served by a number of other locally owned financial institutions or branches of regional banks, the bank's lending to borrowers of different income levels is satisfactory. Of the bank's primary products, we reviewed a sample of twenty-two consumer loans and 175 residential real estate purchase or refinancing loans in its AA and originated since January 1997.

FNB's lending activity to consumer borrowers is reasonable, even though its lending performance to low- and moderate-income families is below the categories by the number of loans. This income group typically does not borrow large amounts of money. Income levels in 4.5% of the households within the AA are below poverty levels which may also be unable to qualify for credit.

The following table summarizes the bank's consumer loan performance compared to the percentage of families by income level in this AA.

<b>Consumer Lending Activity by Borrower Income Level</b>			
<b>Income Level</b>	<b>% of Households in Income Level</b>	<b>Consumer</b>	
		<b>% by Number</b>	<b>% by Dollar</b>
Low	10.6%	0%	0%
Moderate	11.8%	10%	14%
Middle	17.7%	32%	23%
Upper	59.9%	24%	32%
Not Reported		34%	31%

Within its primary product offering, the bank's residential real estate lending to borrowers of different income levels is reasonable. Based on HMDA reports, management has responded favorably to the credit needs of its AA by originating home loans to low- and moderate-income borrowers. While its lending performance to low- and moderate-income families is below the percentage of families in income categories, 2.9% of families within the AA are below poverty levels. Income levels for these families may be insufficient to qualify for credit. The level of lending to moderate-income families reflects the average median housing value of \$102,956 and strong competition for secondary market loans by other larger institutions in the AA.

The following table summarizes the bank's loan performance compared to the percentage of families by income level in this AA.

<b>Residential Real Estate Loan Originations</b>					
<b>Income Designation for Borrower</b>	<b>Families in Income Category*</b>	<b>Home Purchase</b>		<b>Home Refinance</b>	
		<b>% by Number</b>	<b>% by Dollar</b>	<b>% by Number</b>	<b>% by Dollar</b>
<b>Low</b>	8.84%	3.08%	1.50%	2.80%	0.37%
<b>Moderate</b>	12.76%	6.15%	1.79%	7.48%	2.49%
<b>Middle</b>	20.50%	15.39%	14.06%	13.08%	8.45%
<b>Upper</b>	57.90%	75.38%	82.65%	76.64%	88.69%

*\* Data Source - 1990 U.S. Census \*HUD - U.S. Department of Housing and Urban Development*

### **Geographic Distribution of Loans**

An analysis of geographic distribution was not performed. This analysis is not meaningful since the bank's AA does not have any low- or moderate-income census tracts.

### **Responses to Complaints**

FNB has not received any written complaints regarding its performance in helping to meet needs in the AA or other consumer issues during this evaluation period.

### **Fair Lending Review**

An analysis of any public comments, consumer complaint information, and HMDA data over the last four years 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. The latest comprehensive fair lending exam was performed in 1996, where no violations of the substantive provisions of the anti-discrimination laws and regulations were identified.