



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**January 27, 2009**

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

Community First National Bank  
Charter Number 24080

215 S. Seth Child  
Manhattan, KS 66502-0000

Office of the Comptroller of the Currency  
Kansas City North Field Office  
7101 College Blvd Suite 1600  
Overland Park, KS 66210-4706

**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.

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

The major factors supporting this rating are:

- The majority of loans by number and dollar are made to borrowers within the bank's Assessment Area (AA).
- The average quarterly loan-to-deposit (LTD) ratio is satisfactory.
- The bank's level of residential real estate lending to borrowers of different incomes is good.
- Consumer lending to borrowers of different incomes is reasonable.

**SCOPE OF EXAMINATION**

We performed a full-scope evaluation of Community First National Bank's (CFNB) AA using small bank Community Reinvestment Act (CRA) Procedures. Our lending sample consisted of 20 residential real estate loans and 20 consumer automobile loans.

The bank has not changed the type of loan products they offer since the last CRA examination. We based our review on the bank's number and dollar volume of loans originated and purchased from January 1, 2006 through December 31, 2008.

**DESCRIPTION OF INSTITUTION**

CFNB is a \$104 million full-service financial institution located in Manhattan, Kansas. CFNB is a wholly-owned subsidiary of Ttac Corporation, a one-bank holding company. The bank's main office and holding company are located in Riley County, Kansas. CFNB has one branch in contiguous Pottawatomie County, Kansas. The bank operates two deposit-taking automated teller machines (ATMs), with one located at each bank facility. In addition, the bank contracted with three UMB operated Ultra ATMs to allow free access to CFNB customers. These ATMs are located at 529 Humboldt St., 2700 Anderson Ave. and 1200 Moro Street in Manhattan.

CFNB offers a variety of loan products with an emphasis on residential real estate and consumer loans. Net loans represented 88 percent of the bank's total assets as of September 30, 2008. During the evaluation period, the bank originated 640 loans totaling \$17.4 million. At \$8 million, residential real estate loans are the largest type by dollar volume (47 percent of dollars originated), while consumer automobile loans are the largest volume by number originated at 211 loans (33 percent of the number originated). Based on this information, we analyzed residential real estate and consumer automobile loans to assess the bank's performance.

There are no legal or financial constraints that impede the bank's CRA efforts. The last CRA examination dated April 21, 2003 rated the bank's performance as "Satisfactory". Refer to the bank's CRA Public File for more information.

## **DESCRIPTION OF ASSESSMENT AREA**

CFNB designated one AA comprised of 11 Census Tracts (CTS) in Riley County and one CT in Pottawatomie County. Two CTs are designated as moderate-income, six are middle-income, and four are upper-income. Both counties are non-metropolitan statistical area (non-MSA) counties in Kansas. The AA meets the requirements of CRA regulations and does not arbitrarily exclude low- or moderate-income geographies. Nine other financial institutions have offices or branches in the city of Manhattan. CFNB ranks as smallest (tenth) in asset size and fifth in deposit market share at seven percent.

The local economy is stable and continues to expand due to the addition of a new brigade at the military base at nearby Fort Riley. This created demand for additional housing and retail services in Manhattan and other surrounding areas to support the increased population. The military base has over 15,000 soldiers and employs more than 4,100 civilian personnel. Manhattan is the home to Kansas State University (KSU), The Manhattan Christian College, and The Manhattan Area Technical College. KSU alone has approximately 23,000 students and employs more than 5,500 people; making it the largest employer in Manhattan.

The 2000 Census reports the poverty level in the AA is 8 percent. Twenty percent of the AA's families are living below the poverty level. In 2008, all six of the middle-income CTs were designated as distressed due to poverty level. The significant transient population base of students and soldiers contributes to the poverty levels.

The percent of residents receiving public assistance is 1.26 percent. The unemployment rate is relatively high at 6.28 percent. The updated Department of Housing and Urban Development (HUD), non-MSA median family income is \$50,100. The median owner-occupied housing value is \$93,242, but only 49 percent of housing units in the AA are owner-occupied. While there are no low-income tracts in the AA, low-income households and families represent 26 and 17 percent, respectively, of the AA's population.

We reviewed information from one local non-profit community contact during the evaluation. According to the contact, there is a need for affordable housing. New housing has slowed due to the declining housing market. The contact stated the city's banks are meeting the credit needs in the area and are active in the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

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

The bank's quarterly average LTD ratio since the last CRA evaluation is 100.92 percent, reflecting the bank's efforts to make credit available. The average LTD ratios of the peer banks ranged from 47 percent to 120 percent during the same time period.

## Lending in Assessment Area

CFNB's record of lending within its AA is good. Within our loan sample, the bank originated the majority of its primary loan products, both by number and dollar amount, within its AA. The following table details residential real estate and consumer loans extended inside and outside the bank's AA by number and dollar volume of loans originated.

<b>Lending to Borrowers in the Manhattan Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
RE – Home Purchase	17	85.00%	3	15.00%	20	\$2,744	88.33%	\$362	11.67%	\$3,106
Consumer Auto	14	70.00%	6	30.00%	20	\$132	57.56%	\$97	42.44%	\$230
Totals	31	77.50%	9	22.50%	40	\$2,876	86.21%	\$460	13.79%	\$3,336

Source: Sample of Loans.

## Lending to Borrowers of Different Incomes

Lending levels to residential real estate and consumer borrowers of different incomes is satisfactory. In order to assess the bank's performance, we selected a sample of 20 real estate and 20 consumer loans originated during the evaluation period.

Lending to low- and moderate-income residential real estate borrowers is excellent compared to demographics. The AA demographics show that 17 percent of the families are low-income, while 25 percent of the bank's loans were made to low-income families. Demographic data also show that 15 percent of the families are moderate-income and the bank made 20 percent of its residential real estate loans to moderate-income families.

<b>Borrower Distribution of Residential Real Estate Purchase Loans in the Manhattan Assessment Area</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of Number of Loans
1-4 Family Residential RE	16.74%	25.00%	15.23%	20.00%	21.21%	10.00%	46.83%	40.00%	5.00%

Source: Loan Sample and 2000 U.S. Census data.

Lending to low- and moderate-income consumer borrowers is reasonable. The AA demographics reflect that 26 percent of households are low-income and 25 percent of the loans in our sample were made to low-income borrowers. Lending to moderate-income borrowers is also comparable to demographic data as 16 percent of households are moderate-income and 15 percent of our consumer loan sample was made to moderate-income households.

<b>Borrower Distribution of Consumer Loans in the Manhattan Assessment Area</b>									
Borrower Income Level	Low		Moderate		Middle		Upper		Unavailable
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of Number of Loans
Consumer Auto Loans	25.97%	25.00%	15.94%	15.00%	16.84%	25.00%	41.25%	35.00%	0.00%

Source: Loan Sample and 2000 U.S. Census data.

### Geographic Distribution of Loans

There are only two CTs in the AA designated as moderate-income geographies and a minimal number of households and owner-occupied housing is located in these tracts, so a geographic analysis would not be meaningful.

### Responses to Complaints

CFNB has not received any written complaints regarding its CRA performance during our evaluation period of March 31, 2003 through September 30, 2008.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.