

## **PUBLIC DISCLOSURE**

**January 10, 2000**

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

**Home National Bank  
Blackwell, Oklahoma  
Charter Number 13891**

**126 S. Summit  
Arkansas City, Kansas 74631**

**Office of the Comptroller of the Currency  
Midwestern District  
3450 N. Rock Road, Suite 505  
Wichita, Kansas 67226**

**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 **Home National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **January 10, 2000**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

- Home National Bank's average loan-to-deposit ratio of 66% is comparable to the average of 64% for all other banks in the assessment areas.
- A majority of the bank's commercial loans has been granted in its assessment areas. The examiner's loan sample indicated 76% of the number and 50% of dollar volume were in the assessment areas.
- The bank grants a substantial majority of its commercial loans to small businesses as 81% of the loans in the examiner's commercial loan sample were under \$100,000.

## DESCRIPTION OF INSTITUTION

The Home National Bank (HNB) is a \$436 million bank with offices in Oklahoma and Kansas. Home National Bank in Blackwell, Oklahoma and Home National Bank in Arkansas City, Kansas merged during June 1999. HNB maintains seven full-service offices, four limited-service offices, one drive-through location, and 13 Automated Teller Machines (ATMs).

HNB is a full-service bank offering a variety of loans. The bank's percentage of net loans to total assets is 62%. HNB's primary product is commercial lending. As of September 30, 1999, commercial loans accounted for 45% of the bank's \$268 million loan portfolio. Agricultural loans represent 25%, residential real estate 10%, real estate construction 9%, consumer 7%, and other loan types account for 4%.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet community credit needs. The bank is a wholly owned subsidiary of HNB Corporation, a multi-bank holding company with total assets of \$486 million. The Home National Bank, Scottsdale, Arizona is an affiliate. At the previous CRA examination dated March 31, 1997, the bank received a "Satisfactory" rating.

## DESCRIPTION OF COWLEY COUNTY, FINNEY COUNTY, AND THE KAY, NOBLE, & PAYNE COUNTIES ASSESSMENT AREAS.

The bank has three assessment areas (AAs), two in Kansas and one in Oklahoma. The median family income in Kansas for 1999 was \$38,700, while Oklahoma had a median family income of \$32,700. The AAs comply with the regulation and do not arbitrarily exclude any low- or moderate-income areas.

The following tables show the distribution of tracts and families in the AAs by income level.

| <b>Distribution of Tracts in Assessment Areas by Income Level</b> |                                    |   |                                       |                                      |
|---|------------------------------------|---|---------------------------------------|--------------------------------------|
| <b>Assessment Area</b>  | <b>Number of Low-income Tracts</b> | <b>Number of Moderate-income Tracts</b> | <b>Number of Middle-income Tracts</b> | <b>Number of Upper-income Tracts</b> |
| Cowley County, Kansas   | 0                                  | 0                                       | 8                                     | 3                                    |
| Finney County, Kansas   | 0                                  | 0                                       | 4                                     | 2                                    |
| Kay, Noble, and Payne Counties, Oklahoma                          | 1                                  | 1                                       | 13                                    | 15                                   |
| <b>Total Census Tracts</b>  | <b>1</b>                           | <b>1</b>                                | <b>25</b>                             | <b>20</b>                            |



| <b>Distribution of Families by Income Level in Assessment Areas</b> |  |   |   |  |
|---|--|---|---|--|
| <b>Assessment Area</b>  | <b>Percentage of Low-income Families</b> | <b>Percentage of Moderate-income Families</b> | <b>Percentage of Middle-income Families</b> | <b>Percentage of Upper-income Families</b> |
| Cowley County, Kansas   | 16%                                      | 17%   | 23%   | 44%  |
| Finney County, Kansas   | 12%                                      | 19%   | 24%   | 45%  |
| Kay, Noble, and Payne Counties, Oklahoma                            | 16%                                      | 15%   | 18%   | 51%  |

**Cowley County, Kansas**

Cowley County, located in south central Kansas, has a population of 36,000. Twelve percent of the households have incomes below the poverty level and 29% of the population is not in the work force. Thirty-three percent of the households receive social security and 6% receive public assistance. The median housing value is \$37,000 and 64% of the housing units are owner occupied. The economy is diverse with industries including rail, agriculture, and manufacturing. Major employers include Rubbermaid and General Electric. Aircraft manufacturing plants in nearby Wichita provide additional employment. Unemployment is low at 3.5%.

The county has 18 commercial banks and three savings institutions. Arkansas City and Winfield are the two major cities in the county. HNB maintains one full-service office, two limited-service offices, and three ATMs in Arkansas City. The bank has one office and two ATMs in Winfield.

**Finney County, Kansas**

Finney County, located in western Kansas, has a population of 37,000. Eleven percent of the households have incomes below the poverty level and 17% of the population is not in the work force. Seventeen percent of the households receive social security and 4% receive public assistance. The median housing value is \$50,000 and 57% of the housing units are owner occupied. The area is heavily dependent on agriculture and related feedlot and meat packing industries. Major employers include IBP, Monfort, and St Catherine Hospital. Unemployment is low at 2.3%

The county has eight commercial banks and one savings institution. HNB maintains one banking office and one ATM in Garden City, the largest city in the county.

## **Kay, Noble, and Payne Counties, Oklahoma**

These three counties, located in north central Oklahoma, have a population of 123,000. Nineteen percent of the households have income below the poverty level and 31% of the population is not in the work force. Twenty-eight percent of the households receive social security and 5% receive public assistance. The median housing value is \$47,000 and 55% of the housing units are owner occupied. The area economy has a concentration in the petroleum industry, but construction, metal fabrication, meat processing, medical, and agriculture offer some diversity. Major employers include Conoco, Ponca City School System, St. Joseph Regional Medical Center, Air Systems Components, and IBP. Unemployment is low at 3.1%.

Kay County has nine commercial banks and one savings institution. Ponca City, Blackwell, and Tonkawa are the major cities in the county. HNB maintains two full-service offices, two limited-service offices, and four ATMs in Ponca City. In Blackwell the bank has one full-service office and one ATM.

Noble County, located between Kay and Payne Counties, has four commercial banks. Perry is the major city in the county. HNB does not have any bank locations in this county.

Payne County has nine commercial banks and three savings institutions. Stillwater and Cushing are the major cities in the county. HNB maintain one full-service office, one drive-through, and two ATMs in Stillwater. The two bank locations and one of the ATMs are in a moderate-income tract.

At this examination examiners contacted a local trade association and reviewed twenty-eight contacts conducted by the OCC and other regulatory agencies. Contacts indicated credit needs included small business loans, agricultural credits, and housing loans. Contacts stated the financial institutions are involved in the communities and are meeting the local credit needs.

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

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

The bank maintains a satisfactory loan-to-deposit ratio. Over the last 11 quarters, the bank's loan-to-deposit ratio averaged 66% with a strong increasing trend. HNB's loan-to-deposit ratio is slightly above the 24 other banks with offices in the AAs. The average loan-to-deposit ratio of the other banks was 64%, with a range from 20% to 90% over the same 11 quarters.

### ***Lending in Assessment Area***

HNB's lending in the AA is reasonable as it extends a majority of its commercial loans, the primary loan product, within the AAs. Examiners determined, by selecting all commercial loans for the last seven months of 1999, that 76% of the number and 50% of the dollar volume were in the bank's AAs.

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

Lending levels to businesses of different sizes are satisfactory. Examiners focused on commercial loans as they compose the majority of the loan portfolio and were identified as a credit need in the AAs. Since the bank does not always obtain the commercial borrower's annual gross revenues, examiners used the loan size as a proxy as smaller loans are usually granted to smaller borrowers. Examiners utilized the same commercial loans sample selected for the ***Lending in Assessment Area*** section. The following table indicates a substantial majority of the bank's loans are small with only 7% larger than \$250,000. Dun & Bradstreet's 1999 business demographic data indicates 85% of the business in the AAs have annual sales of less than \$500,000. Examiners did not sample consumer loans as they do not represent a major product line.

| <b>Size of Commercial Loans Granted During Last Seven Months of 1999</b> | <b>Percentage</b> | <b>Accumulated Percentage</b> |
|--|-------------------|-------------------------------|
| Less than \$10,000   | 24%               | 24%                           |
| \$10,000 to \$25,000   | 25%               | 49%                           |
| \$25,000 to \$50,000   | 17%               | 66%                           |
| \$50,000 to \$100,000  | 15%               | 81%                           |
| \$100,000 to \$250,000   | 12%               | 93%                           |
| \$250,000 to \$500,000   | 3%                | 96%                           |
| \$500,000 to \$1,000,000   | 2%                | 98%                           |
| More than \$1,000,000  | 2%                | 100%                          |

### ***Geographic Distribution of Loans***

The bank's lending volume is reasonably disbursed throughout the assessment areas. The bank has only a total of ten consumer loans in the one low-income census tract and the one moderate-income census tract in its AAs. This low penetration is acceptable given the demographics of the tracts. Both of these tracts are near the Oklahoma State University campus in Stillwater, Oklahoma. More than 50% of the population have incomes below the poverty level and a large portion of the population is not in the work force. Most of the housing is rental with only a nominal portion owner occupied.

### ***Response to Complaints***

The bank has not received any CRA related complaints since the previous CRA examination.

### ***Compliance with Anti-Discrimination Laws and Regulations***

HNB is in compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of prohibited discrimination or other illegal credit practices during the fair lending review. Examiners performed a gender-based review comparing rates, and terms granted. The sample included 25 direct auto loans granted to 20 individual males and five individual females during the last six months of 1999 from six of the bank's offices.