



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**November 14, 2002**

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

**The First National Bank Of Southern Kansas  
Charter Number 555**



**100 North Ohio  
Mount Hope, KS 67108**

**Comptroller of the Currency  
C. Scott Schainost, Assistant Deputy Comptroller  
Wichita Field Office  
3450 North Rock Road Suite 505  
Wichita, KS 67226**

**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.**


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## INSTITUTION'S CRA RATING

**This institution is rated Satisfactory.**

- First National Bank of Southern Kansas' average quarterly loan-to-deposit ratio of 82% is satisfactory, compared to the average of 73% for the peer bank group.
- The bank's lending in the assessment area is satisfactory. The examiner's loan sample indicates the bank granted 75% of the number and 60% of the dollar volume of loan products in the assessment area. 
- The bank demonstrates a good level of lending to borrowers of different income levels. The distribution for consumer used automobile loans is excellent and the distribution for residential 1-4 family real estate loans is good.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Southern Kansas (FNB) is a \$54 million bank headquartered in Mount Hope, Kansas. In addition to its main office, FNB has a branch in Andale, Kansas, and a branch in Goddard, Kansas. FNB opened the Goddard branch in January 2001. Each branch and the main bank have drive-up facilities. FNB has four automated teller machines (ATM). Deposit taking ATMs are located at each branch, and the main office has a cash dispensing ATM. FNB operates another cash dispensing ATM at White's Foodliner IGA grocery store in Goddard, Kansas. Mount Hope Bancshares, Inc., a one-bank holding company, owns 100% of FNB's common stock. On December 31, 2001, the holding company had total assets of \$4 million. There were no significant changes in the corporate structure since the last CRA exam.

FNB is a full service bank offering a variety of loans. Net loans represent 79% of the bank's total assets. On September 30, 2002, the bank's \$42 million loan portfolio has the following composition: residential real estate 54% (\$23 million); commercial loans 31% (\$13 million); consumer loans 13% (\$5 million); and agricultural loans 2% (\$797 thousand).

Management indicates the primary loan products, by number and dollar volume granted in the bank's assessment area (AA) between January 1, 2000, and October 31, 2002, are consumer used automobile purchase loans, and residential 1-4 family real estate purchase loans. FNB's financial condition, size, and local economic conditions allow it to help meet the credit needs of the assessment area. The last CRA examination dated March 17, 1998, rated the bank's CRA "Satisfactory".

## **DESCRIPTION OF ASSESSMENT AREA**

FNB has one assessment area (AA). The AA consists of 10 census tracts (CTs) which include CTs 94.01, 94.02, 95, 95.01, 95.02, 96, 104, 105 in Sedgwick County, and CT 306 in Harvey County. The CTs in Sedgwick and Harvey Counties are in the Wichita Metropolitan Statistical Area (MSA). The AA also includes CT 14 in Reno County. Five or 50% of the CTs are middle-income, and five or 50% of the CTs are upper-income tracts. The AA complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The AA contains the towns of Mount Hope, Andale, Goddard, Burrton, Haven, and the western portion of Wichita. The CTs in the MSA area have a population of 48,763, while the non MSA CT has a population of 5,057, based on 1990 US Census data. The 1990 decennial median family income in the MSA is \$35,931, and the median family income for 2002 is \$59,000. The 2002 median family income for the non-MSA area is \$44,200. The AA has the following income distribution for families.

<b>Distribution of Family Income in Assessment Area</b>	
<b>Income Level</b>	<b>Percentage</b>
<b>Low-income Families</b>	8
<b>Moderate-income Families</b>	14
<b>Middle-income Families</b>	24
<b>Upper-income Families</b>	54

Five percent of the households have incomes below the poverty level, 20% receive social security, and 2% receive public assistance. Nineteen percent of the population is not in the workforce, 2% is unemployed, and 9% is over the age of 65. The median housing value is \$69,327 and 80% of the housing units are owner occupied.

Competition in the AA is strong. There are 19 banks with offices in the assessment area, and FNB has 0.59% of the market share. We selected seven of these institutions as peer banks because either the majority of the deposits originate from the area, or management considers them as competition. The asset size of the seven peer banks range from \$9 million to \$938 million, with FNB ranking 5<sup>th</sup> in asset size.

Examiners made one community contact in the Wichita MSA. The contact indicates residential real estate, business, and consumer consolidation loans are the primary credit needs in the bank's AA. The contact also believes the area banks are meeting these needs.

The Wichita MSA has a strong manufacturing base with four aircraft manufacturers, a major camping supply manufacturer, and a chemical company. They include Boeing, Cessna, Raytheon, and Bombardier-Learjet Aircraft Companies, The Coleman Company, and Vulcan Chemicals. The Wichita MSA also has a diverse retail trade, services, local schools, hospitals, and local governments. Despite downsizing at local aircraft and related companies, the economy of the MSA is stable, compared to national level, and continues to provide employment and economic support in the AA. Agricultural crops, and the retail business service sector provide additional economic support to the AA. The Kansas unemployment rate for September 2002 is 4.6%.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

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

FNB's lending level is satisfactory. The average quarterly loan-to-deposit ratio the past 12 quarters ending September 30, 2002, is 82% compared with 73% for peer banks. We selected seven banks as a peer group, including those management considered competition, and banks with deposits from within the AAs. The average quarterly loan-to-deposit ratio over the same period for the peer group ranged from 64% to 91%.

### Lending in Assessment Area

FNB's lending in its AA is satisfactory since it extends the majority of its primary loan products in the AA. To determine the loan distribution, we selected a sample of 40 loans originated from January 1, 2000, to October 31, 2002. The sample consists of 20 consumer used automobile purchase loans and 20 residential 1-4 family real estate purchase loans. These loans represent the majority of the loans originated in that time period. The table below shows the bank's lending in the AA.

<b>Lending in the Assessment Area</b>	
<b>Percent by Number</b>	<b>Percent by Dollar</b>
75	60

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

FNB's lending to borrowers of different income levels in the AA is good. We did not evaluate the bank's lending to businesses of different sizes since commercial or agricultural loans were not the bank's primary loan products. We analyzed a sample of 20 consumer used automobile loans and 20 residential 1-4 family real estate loans since these loan products represent the bank's primary loan products. The community contact identified these two loan products helping to meet the community credit needs.

Lending to consumer used automobile borrowers of different income levels is excellent. FNB made 30% of consumer used automobile purchase loans to low-income households compared to demographic data showing 11% of households with low-incomes. FNB made 50% of consumer used automobile purchase loans to moderate-income households compared to demographic data showing 11% of households with moderate-incomes. The following table indicates the bank's lending to low- and moderate-income borrowers is excellent compared to the household demographics.

<b>Lending to Borrowers of Different Incomes Consumer Used Automobile Purchase Loans</b>			
<b>Borrower Income Level</b>	<b>Percentage of The Number</b>	<b>Percentage of The Dollar Volume</b>	<b>Percentage of Households in Income Category</b>
<b>Low-income</b>	30	24	11
<b>Moderate-income</b>	50	36	11
<b>Middle-income</b>	10	13	18
<b>Upper-income</b>	10	27	60
<b>Total</b>	100	100	100

Lending to residential 1-4 family real estate borrowers of different income levels is good. FNB made 15% of residential 1-4 family real estate purchase loans to low-income families compared to demographic data showing 8% of families with low-incomes. FNB made 35% of residential 1-4 family purchase loans to moderate-income families compared to demographic data showing 14% of families with moderate-incomes. The following table indicates the bank's lending to low-income borrowers is good compared to the family income demographics. Lending to moderate-income borrowers is excellent. Management stated some of the low- and moderate-income families choose to rent housing in the AA, and therefore do not apply for residential real estate purchase loans. Demographic data shows 15% of housing in the AA are rental occupied units, and 5% are vacant housing units.

<b>Lending to Borrowers of Different Income Residential 1-4 Family Real Estate</b>			
<b>Borrower Income Level</b>	<b>Percentage of The Number</b>	<b>Percentage of The Dollar Volume</b>	<b>Percentage of Families in Income Category</b>
<b>Low-income</b>	15	7	8
<b>Moderate-income</b>	35	32	14
<b>Middle-income</b>	30	33	24
<b>Upper-income</b>	20	28	54
<b>Total</b>	100	100	100

### **Geographic Distribution of Loans**

An analysis of the bank's geographic distribution of loans would not be meaningful. The bank's AA contains no low- or moderate-income tracts.

### **Response to Complaints**

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

### **Fair Lending Review**

An analysis of 1998, 1999, 2000, 2001, and year to date 2002 public comments and consumer complaint information 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 1998.