



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 21, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Community First National Bank
Charter Number 24080**

**215 S. Seth Child Road
Manhattan, Kansas 66502**

**Comptroller of the Currency
Kansas City North – Salina Office
Post Office Box 616
Salina, Kansas 67204-0616**

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”.

Community First National Bank (CFNB) has a good record of lending to individuals of different income levels.

- The distribution of residential real estate borrowers by income level is reasonable. Based on a sample of 30 borrowers, the bank's distribution of loans to families at the low (7 percent) and moderate-income (3 percent) levels is below the demographic data of 18 and 20 percent, respectively. The bank's lending activity however, is reasonable when considering that 22 percent of Riley County and 33 percent of Manhattan's population's income level is below the poverty level making it difficult to purchase a home. In addition, 52 percent of the homes in Riley County are rentals to serve the needs of students attending Kansas State University (KSU) and soldiers stationed at Fort Riley.
- The distribution of consumer installment borrowers of different income levels is good. Based on a sample of 20 borrowers, the bank's 5 percent distribution of loans to low-income households compared to the demographic data of 25 percent is reasonable due to the poverty factors discussed above. The bank's distribution of 45 percent to moderate-income households significantly exceeds the demographic data of 17 percent.

Demographic information was obtained from the 1990 United States Census Bureau. The income levels are based on the updated 2002 HUD median family income of \$44,200.

The bank's geographic distribution of loans within the assessment area (AA) is satisfactory.

- CFNB's geographic distribution by income category of census tracts shows reasonable penetration throughout the AA by number and dollar volume.
- CFNB did not originate any loans in the one low-income census tract. However, the KSU campus comprises the majority of the tract, resulting in only 0.63 percent owner-occupied homes and households accounting for only 3.10 percent.
- CFNB originated 3 percent of their residential real-estate loans by number and dollar volume in moderate-income tracts compared to demographic data of 8 percent. Fifteen percent by number and 11 percent by dollar volume of consumer loans were originated in moderate-income tracts compared to demographic data of 25 percent. The moderate-income tracts are composed of the downtown area and the north section of Fort Riley. The high poverty level and the commercial military nature of the tracts are mitigating factors.

The bank's lending in their AA is good.

- For residential real estate and consumer loans sampled, the bank originated 96 percent by dollar and 90 percent by number in the AA.

CFNB's quarterly average loan-to-deposit (LTD) ratio is good.

- The bank's quarterly average LTD ratio of 86 percent for 2002 and 2001 compares favorably to similarly situated financial institutions in the bank's AA. The quarterly average LTD ratio for competitors ranged from 7 percent for a small state bank to 110 percent for a large community bank. The four banks used for comparison purposes were similarly situated due to their products offered. Only one of the banks is similar in asset size and they have a quarterly average LTD ratio of 80 percent.

CFNB did not receive any complaints about its performance in helping to meet AA credit needs during this evaluation period.

An analysis of 2001 - 2003 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.

DESCRIPTION OF INSTITUTION

CFNB is a \$28 million financial institution in Manhattan, Kansas. The bank is a little over 2 years old and experiencing high growth. The bank has one location at this time, but is opening a branch in September 2003. The primary product type by dollar volume is residential real estate loans, including those held for investment property purposes. The primary product type by number of loans is consumer installment loans. CFNB is also an originator of residential real-estate mortgages that are sold on the secondary market. The bank has sold 324 loans totaling \$35 million.

DESCRIPTION OF ASSESSMENT AREA

CFNB's AA consists of ten census tracts in Riley County, Kansas. Riley County is composed of one low-, two moderate-, four middle-, and three upper-income census tracts.

We conducted two community contacts during this examination. The contacts included a member of the Manhattan area Chamber of Commerce and a member of the local Economic Development Council. Both contacts stated the area banks have been generally responsive to helping meet credit needs of the community. One of the contacts also added that area financial institutions could increase participation in affordable housing programs and area development projects. He referred me to the Five-Year Housing Strategy prepared for the City of Manhattan dated August 2000.

Refer to the bank's CRA Public File for additional information about the bank's AA.