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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**December 5, 1997**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Howard  
Charter Number 3242**

**101 South Wabash Street  
Howard, Kansas 67349**

**Office of the Comptroller of the Currency  
South Kansas Field Office  
3450 North Rock Road, Suite 505  
Wichita, Kansas 67226-1327**

**NOTE: 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 Howard** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 5, 1997. 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**.

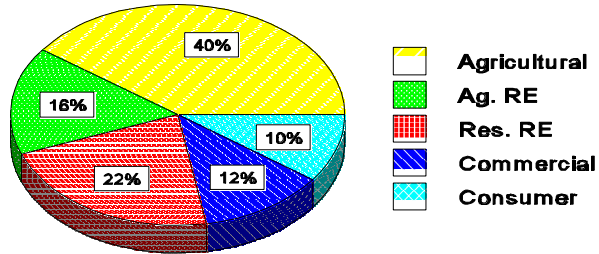
The bank's loan-to-deposit ratio is reasonable, with a majority of loans being made within its assessment area. The bank has a good lending record to borrowers of different income levels and to businesses and farms with different income levels.

## DESCRIPTION OF INSTITUTION

The First National Bank of Howard (FNB), a \$7 million financial institution, is one of three banks headquartered in the bank's assessment area.

### Loan Portfolio Composition

As of September 30, 1997



FNB is located in Howard, Kansas. It does not have any branches. Howard Bankshares, Inc., owns 90% of FNB's common stock. FNB is a full service bank and offers a variety of loan products with an emphasis on agricultural loans, farm real estate, and small consumer loans. As of September 30, 1997, agricultural loans and farm real estate loans accounted for 40% and 16% of the bank's \$3 million loan portfolio. Residential real estate loans totaled 22%. Although consumer loans account for only 10% of the loan portfolio in dollars, the number of consumer loans accounts for 39% of the total number. Commercial loans comprise the remaining 12% of the loan portfolio.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. The bank has not opened or closed any branches since the prior CRA examination. At the previous CRA examination dated February 24, 1995, FNB received a satisfactory rating.

## DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes all of Elk county. The assessment area includes block numbering area 9951. The block numbering area is a middle-income tract. The assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

The assessment area is located in southeast Kansas. The assessment area has a combined population of roughly 3,300. Howard has a population of approximately 850. The local economy is dominated by agriculture. Major employers in Howard include the school district and government offices. The primary agricultural products are cattle and hogs. Area economic conditions have improved slightly due to the improvement in cattle prices. Two other banks provide strong direct competition for loans.

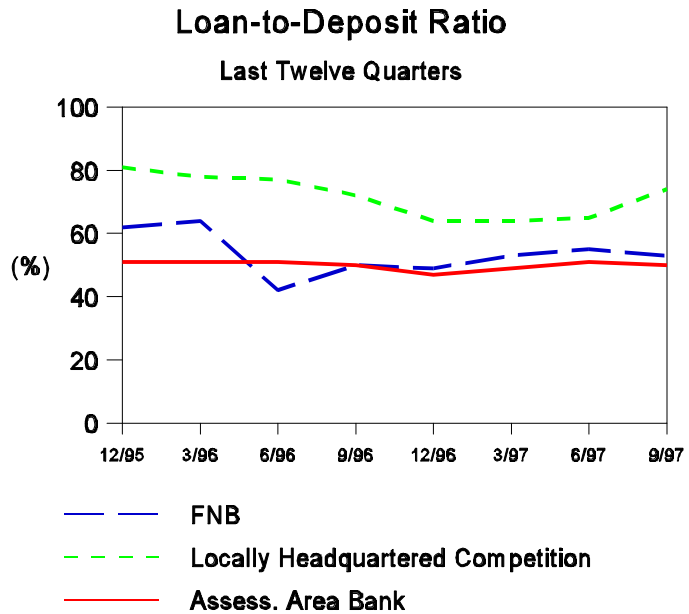
Examiners made a community contact with one city official in Howard. The contact revealed no unmet credit needs or discriminatory practices within the assessment area.

Of all households in the assessment area, 34% are low-income, 17% are moderate-income, 16% are middle-income, and 33% are upper-income. The Oklahoma 1997 statewide nonmetropolitan median family income is \$36,100.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

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

The bank’s level of lending is reasonable compared to the other banks in the assessment area. Using the last eight quarters ending September 30, 1997, the bank’s average loan-to-deposit ratio is 61%. This compares to the average loan-to-deposit ratio of 61% for the other two banks headquartered within the assessment area. The bank’s average is lower than the only other Howard-based bank’s average of 78%. Average loan-to-deposit ratios for banks in the assessment area range from 50% to 72% over the same eight quarter time period.



***Lending in Assessment Area***

FNB extends a majority of its loans within the assessment area. Based on a bank-generated analysis, the bank made over 75% of the number and dollar volume of loans within its assessment area. Examiners verified the accuracy of the report by reviewing individual files.

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

The bank makes loans to farms of different sizes. We focused on agricultural loans since it is the bank’s primary line of business. We reviewed a sample of seven loans to determine whether the bank has reasonable penetration of small agricultural borrowers. This small sample represents approximately 35% of the locally based agricultural portfolio. The bank estimates the average farm in the area has gross revenues of \$100,000. Based on the loan sample, the bank lends primarily to small farms.

The bank makes loans to borrowers of different income levels. The following chart represents all residential real estate loans made during the past year. It illustrates the bank has good penetration to individuals with low- and moderate-income levels.

Annual Income	# of Loans	Percent
Under \$20,000	2	25.0%
From \$20,001 to \$31,000	2	25.0%
From \$31,001 to \$50,000	3	37.5%
Over \$70,000	1	12.5%
TOTAL	8	100.0%

***Geographic Distribution of Loans***

An analysis of the distribution of credit within the assessment area would not be meaningful as the assessment area consists of only a middle-income block numbering area.

***Response to Complaints***

The bank received no CRA-related complaints since the previous CRA examination.

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

Based on our review, the bank is in compliance with all provisions of antidiscrimination laws and regulations. Examiners found no evidence of disparate treatment.