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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

September 23, 1997

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Fort Riley National Bank  
Charter Number 15637**

**Building 5303  
Fort Riley, Kansas 66442-2446**

**Office of the Comptroller of the Currency  
Kansas City North - Salina Office  
Post Office Box 616  
Salina, Kansas 67402-0616**

**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 Fort Riley National Bank, Fort Riley, Kansas (FRNB) prepared by Office of the Comptroller of the Currency, the institution's supervisory agency, as of September 23, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. § Part 25.*

**INSTITUTION'S CRA RATING:** This institution is rated “Satisfactory Record of Meeting Community Credit Needs.”

Fort Riley National Bank’s CRA rating is based on the following factors:

- The bank demonstrates a good record of extending credit to individuals of different income levels.
- The average loan-to-deposit ratio is reasonable given the bank’s operating environment and loan portfolio composition.
- The percentage of loans within the bank’s assessment area is reasonable.

## **DESCRIPTION OF INSTITUTION**

Fort Riley National Bank is a \$23 million bank located on the military base in Fort Riley, Kansas. The bank is a wholly-owned subsidiary of Fort Riley Bancshares, Inc. The bank owns and operates ten automated teller machines (ATM's) located at various locations throughout the military base. The ATM's allow balance inquiries, transfers of funds, and withdrawals of funds. Two of the ATM's accept deposits for FRNB customers. FRNB also offers a toll-free telephone line and an Internet address to provide convenient methods of communication for former residents of Fort Riley. The bank received a rating of "Satisfactory Record of Meeting Community Credit Needs" at its last CRA examination dated March 10, 1995.

FRNB primarily concentrates on consumer loan products, but also offers commercial and real estate loans. Net loans represent 21 percent of the bank's total assets as of June 30, 1997. No legal constraints, financial conditions, or other factors prevent the bank from helping to meet the credit needs of its assessment area. However, the bank's opportunities to make housing loans are limited because living quarters are provided to the soldiers on the military base. Another service offered by the bank is check-cashing for non-customers. The bank charges a minimal fee of up to \$3 for this service.

The loan portfolio mix represents 48 percent consumer, 33 percent non-farm non-residential real estate, 9 percent 1-4 family residential real estate, 7 percent multi-family real estate, and 3 percent commercial. Small consumer purpose loans make up a large portion of the number of loans originated by the bank. Approximately 71 percent of the bank's loan originations during the first six months of 1997, by number, were for amounts less than \$1,500. During this same period, 89 percent were for amounts less than \$5,000. The average dollar amount of these 557 loan originations was \$2,852. Many of these small loans are unsecured notes made to enable customers to establish a credit history. Soldiers who come to Fort Riley often do not have previous banking relationships, so the bank offers \$500 six-month notes to help these customers establish a credit history. Approximately 19 percent of the 75 unsecured notes we sampled were for this purpose.

## **DESCRIPTION OF ASSESSMENT AREA**

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The primary assessment area includes two block numbering areas (BNA) which comprise the military base. The bank also serves active duty or former duty military customers wherever they are located. Many customers have continued to bank with FRNB subsequent to leaving Fort Riley.

The assessment area includes BNA 6 in Geary County and BNA 10 in Riley County. BNA 6 is considered middle-income with median family income representing 83 percent of the statewide non-metropolitan average. BNA 10 is designated as moderate-income. The median family income of this BNA represents 73 percent of the statewide non-metropolitan average. Total

population of the assessment area is 18,212. The community population is highly transient due to the frequent reassignment of soldiers. Of the 2,984 families in the assessment area, 17 percent are designated as low-income, 39 percent are moderate-income, 26 percent are middle-income, and 18 percent are upper-income. These income designations are based on the Kansas statewide updated median family income of \$36,100.

The primary credit needs of the assessment area are mainly for consumer purposes. The limited volume of commercial loans in the bank's portfolio is to borrowers living outside the assessment area. Competition for loans is provided by a federal credit union located on the military base. In addition, there are numerous financial institutions located in the neighboring communities of Junction City and Manhattan.

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

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

The bank's loan-to-deposit (LTD) ratio is reasonable. FRNB's average LTD ratio for the past eight quarters is 26 percent. We compared the bank's LTD ratio to four other similarly sized banks located in Riley and Geary counties. LTD ratios for these banks ranged between 9 percent and 65 percent. The average LTD of the five banks in our comparison group was 40 percent. FRNB ranked fourth among these banks.

The bank's LTD ratio has historically been conservative for several reasons. FRNB's liquidity needs are more demanding than most other financial institutions. The volume of deposits vary as much as 20 percent each month due to large variations in account balances before and after the military paydays. Also, several large deposit accounts are subject to withdrawal on a daily basis and represent another 20 percent of total deposits. FRNB typically maintains at least 40 percent of its total deposits in the form of Federal Funds Sold or highly liquid U.S. Government securities to provide for the liquidity needs associated with military paydays and the large demand deposit accounts. In addition, the credit needs of the bank's customer base are primarily small consumer purpose loans. The bank makes a large number of these loans, but the small dollar amount of consumer loans do not impact the LTD ratio as significantly as the larger commercial loans found in other similarly sized banks.

### **Lending in Assessment Area**

The bank's record of lending to borrowers within its assessment area is reasonable. Although less than a majority of the bank's loans are to borrowers living within the assessment area, the bank's performance under this criteria is considered acceptable due to the transient nature of FRNB's customers. Also, approximately 10 percent of the soldiers stationed at Fort Riley live in Junction City, and another 5 percent live in Manhattan due to limited housing availability on the main post.

We verified the bank's analysis of 557 loans which were originated between January 1, 1997, and June 30, 1997. These loan originations totaled \$1,588,558. This analysis showed 43 percent of the number of originations were to borrowers residing in Fort Riley. These loans represented 21 percent of the total dollar volume of originations. Another 19 percent of the number of loans were to borrowers living in Junction City. This portion of loans represented 32 percent of the total dollar volume of originations. The remainder of the bank's originations for this period were to borrowers residing in 93 separate cities located throughout the United States and in several foreign countries. These loans are primarily to borrowers who were previously assigned to Fort Riley, and who have continued to bank with FRNB after transferring to various other locations.

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

FRNB's distribution of loans to individuals with low- and moderate-income levels is good. We judgmentally sampled 75 unsecured signature loans. These unsecured loans represented 18 percent, by number, of the bank's unsecured loan originations for the first six months of 1997. The dollar volume of these loans was \$71,341 and equaled 17 percent of the dollar volume of signature loan originations for the period reviewed. We chose this type of lending activity because unsecured consumer loans comprised approximately 74 percent of the total number of loan originations for this time frame. In addition, we reviewed a judgmental sample of 25 automobile instalment loan originations. This sample represented approximately 24 percent, by both number and dollar volume, of automobile loan originations made through June 30, 1997.

Based on the loans in our sample, we concluded that the bank's proportion of loans to low-income families significantly exceeds the percentage of families in the assessment area that are considered low-income. The percentage of loans to moderate-income borrowers is slightly below the overall proportion of moderate-income families in the assessment area. Overall, 83 of the 100 loans reviewed were to low- or moderate-income borrowers. The two tables on the following page illustrate the bank's lending patterns in comparison to local demographic characteristics:

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes  
(continued)**

<b>INDIVIDUAL INCOME DISTRIBUTION</b> (Sample of 75 Signature Loans Originated 1/1/97 - 6/30/97)				
<b>Income Designation of Borrower</b>	<b>Distribution of Loans in OCC's Sample (by Number)</b>		<b>Percentage of Families in Banks Assessment Area</b>	
	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
<b>Low</b>	44	58.67%	520	17.42%
<b>Moderate</b>	23	30.67%	1,163	38.96%
<b>Middle</b>	6	8.00%	779	26.10%
<b>Upper</b>	2	2.66%	523	17.52%
<b>TOTALS</b>	<b>75</b>	<b>100.00%</b>	<b>2,985</b>	<b>100.00%</b>

<b>INDIVIDUAL INCOME DISTRIBUTION</b> (Sample of 25 Automobile Loans Originated 1/1/97 - 6/30/97)				
<b>Income Designation of Borrower</b>	<b>Distribution of Loans in OCC's Sample (by Number)</b>		<b>Percentage of Families in Banks Assessment Area</b>	
	<b>Number</b>	<b>Percentage</b>	<b>Number</b>	<b>Percentage</b>
<b>Low</b>	11	44.00%	520	17.42%
<b>Moderate</b>	5	20.00%	1,163	38.96%
<b>Middle</b>	8	32.00%	779	26.10%
<b>Upper</b>	1	25.00%	523	17.52%
<b>TOTALS</b>	<b>25</b>	<b>100.00%</b>	<b>2,985</b>	<b>100.00%</b>

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes (continued)**

We did not perform an analysis of the bank's record of lending to businesses of different sizes. The opportunities for commercial lending within the bank's assessment area are nonexistent because the businesses located on the military base are not owned by private individuals and do not have borrowing needs. FRNB is willing to make commercial loans, and approximately 43 percent of the dollar volume of its loan portfolio is for commercial or multi-family real estate purposes. However, these loans were originated to commercial borrowers located outside the bank's assessment area.

## **Geographic Distribution of Loans**

The number of BNA's in the bank's assessment area is not sufficient to allow a meaningful analysis of the geographic distribution of loans.

## **Compliance with Antidiscrimination Laws and Regulations**

The bank's compliance with antidiscrimination laws and regulations is satisfactory. We found no evidence of discriminatory practices and did not identify any substantive violations in this area.