



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 20, 1998

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**First National Bank of Kansas
Charter Number 22644
4650 College Boulevard
Overland Park, Kansas 66211**

**Supervisory Agency: Office of the Comptroller of the Currency
Midwestern District
Mid-sized Banks and Credit Card
2345 Grand Boulevard, Suite 700
Kansas City, Missouri 64108**

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.



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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 CRA performance of **First National Bank of Kansas (FNB)** prepared by the **Office of the Comptroller of the Currency (OCC)** as of **January 20, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all, of the institution's branches. 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.

This institution elected to be evaluated under the strategic plan (plan) option for CRA. The OCC approved FNB's plan on January 10, 1997. The plan sets forth goals for a "Satisfactory" and "Outstanding" performance effective January 1, 1997 through December 31, 1998. Our evaluation period covers one year of the plan, January 1, 1997 through December 31, 1997.

Institution's CRA Rating: The bank is rated "**Satisfactory.**"

FNB is rated "Satisfactory" because the bank met or exceeded a significant portion of the "Satisfactory" performance goals. Furthermore, FNB exceeded some of the "Outstanding" goals for consumer loans.

Description of Institution

First National Bank of Kansas (FNB) is a \$776 million bank located in Overland Park, Kansas. FNB is owned by First National Nebraska, Inc.(FNNI), a \$7 billion multi-bank holding company based in Omaha, Nebraska. FNB is affiliated with several banks located throughout Nebraska, Colorado, and South Dakota.

FNB opened four years ago in the highly competitive market of Johnson County, Kansas. FNNI purchased the deposits of two failed financial institutions. The purchase included \$300 million in deposits and only \$10 million in loans. The bank has five branch locations and twenty-one Automated Teller Machines (ATMs) located throughout Johnson County. FNB's business focus is consumer and small business lending.

Sixty-seven percent of the bank's assets are credit card loans originated by an affiliate in South Dakota. As of December 31, 1997, FNB had net loans of \$587 million of which \$523 million were credit card receivables from the affiliate. These receivables represent portions of a revolving pool of credit card loans made throughout the United States. Most of the credit card receivables are originated outside FNB's assessment area (AA) and are not included in the bank's AA lending goals. The affiliate does not maintain applicant income information on credit card loans. Since income information is unavailable, FNB is unable to include the credit card loans in their borrower distribution goals.

Purchasing these credit card receivables is an important part of the bank's corporate strategy. The receivables allowed FNB to profitably invest the large deposit base it initially acquired. FNB competes for local loan demand before electing to purchase participations in credit card receivables.

Although it is affiliated with a multi-bank holding company, FNB's staffing, branches, and services closely resemble a community bank. Operations are decentralized with significant local authority. Of importance is FNB's balance sheet without credit card receivables. On December 31, 1997, without credit card participations, the bank had total assets of \$96 million and locally generated loans of \$65 million. CRA performance goals are based on total assets of a \$96 million bank.

Assessment Area

The bank's assessment area is Johnson County, Kansas. Johnson County is part of the Kansas City Metropolitan Statistical Area (MSA). All geographies in Johnson County are middle- or upper-income with 29 middle-income tracts and 46 upper-income tracts, respectively.

The median housing value in Johnson County is \$96,321 and the unemployment rate is low at 3% for 1997. Sixty-five percent of the housing units are owner occupied. Metropolitan Statistical Area median family income is \$50,200. Per the 1990 census, 355,000 people live in Johnson County. However, recent population numbers are much higher because the Johnson County market experiences extremely high growth in both residential and commercial development.

Competition among lenders is fierce, especially for residential real estate loans. There are 88 financial institutions in the AA of which 53 are mortgage companies. In the past two years, several regional banking institutions crossed the Missouri/Kansas border and opened branches in Johnson County. Also, several new banks recently opened. This market is highly desirable for financial institutions due

to high family incomes and a favorable business environment. According to Dun and Bradstreet, 65 percent of the businesses in the AA had revenues less than \$1 million. The following tables shows key demographic data about the AA.

ASSESSMENT AREA PROFILE: Johnson County, KS					
DEMOGRAPHIC CHARACTERISTICS	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Population	355,054				
Businesses	15,174				
Family Distribution	98,746	8%	13%	22%	57%
Census Tracts	75	0%	0%	39%	61%

Data Source: 1990 Census Data - U. S. Bureau of the Census; Dun and Bradstreet; Bureau of Labor Statistics

Loan Goals

FNB substantially met the Satisfactory goals for lending. Its approved plan established lending goals for primary product lines, small business loans and consumer loans. The following table reflects the bank's small business goals. FNB substantially exceeded its goals for business loans of \$250 thousand or less and loans to businesses with revenue of less than \$1 million. The percent of the bank's loans to businesses with revenue less than \$1 million is similar to the area demographics. Sixty-three percent of the business loans were to businesses with revenue less than \$1 million compared to area demographics of 65%.

FNB had substantial performance but did not meet the goals for loans originated within their assessment area and goals for total small business loans. A major reason the bank did not meet these goals is due to the extreme competition within the AA described earlier. These unmet goals did not impact the overall rating because the bank did meet 90% of their small business loan goal and a majority of their loans (52%) are within the AA. The percentage of loans within the AA was negatively impacted by a high number of small loans to an auto dealer just across the state line in Missouri. The dealership is adjacent to, but not in the bank's AA.

Small Business Loan Goals for 1997

	Satisfactory Goal	Outstanding Goal	1997 Actual
Total loans (000)	\$28,300	\$32,400	\$25,500
# of Loans \$250M or less	80%	88%	91%
# of Loans within AA	74%	80%	52%
# with Revenues < \$1 Million	51%	61%	63%

FNB exceeded consumer loan goals for an Outstanding rating, especially the goal for loans to low- or moderate-income (LMI) borrowers. The number of loans to LMI borrowers was more than twice the goal for Outstanding performance. FNB extended 70 of 506 consumer loans to low- or moderate-income borrowers.

Consumer Loan Goals for 1997

	Satisfactory Goal	Outstanding Goal	1997 Actual
Total loans (000)	\$7,900	\$8,700	\$10,200
Dollar amount of loans in AA	80%	85%	90%
Number of loans in AA	80%	85%	86%
# of loans to LMI	29	33	70

Investment Goals

FNB exceeded the goals for qualified investments made within its AA. The goal for total qualified investments was \$18,000 for Satisfactory and \$23,000 for Outstanding. Actual 1997 performance was \$23,340 in qualified investments in the AA.

The bank gave grants to organizations that provide services targeted toward LMI individuals. Donations include: Habitat for Humanity, United Way, and Johnson County Community College for LMI student scholarships. FNB also targeted donations to shelters that provide basic services and facilities for abused women. The shelters provide counseling and GED or vocational training. Another grant was to a local medical center for financial assistance to low-income families whose children receive services from the infant development center.

Service Goals

The bank met some goals and exceeded others under community development services. During 1997, FNB opened one branch which met one goal for Outstanding. The bank exceeded another Outstanding service goal by installing five ATMs at alternative locations within the AA. Since the AA does not have any low- or moderate-income tracts, the bank considered alternative locations as non-branch locations. (E.g. grocery and department stores). The following table reflects the bank's goals for delivery systems. Part of the bank's plan was to review alternative systems to deliver bank products. Goals included exploring the possibility of offering loans by phone and allowing customers to open accounts by mail. During the evaluation period, the bank evaluated delivery systems and

started offering accounts by mail. The bank is waiting to offer loans by phone until after implementation of a new loan underwriting system.

Delivery Systems Goals for 1997

	Satisfactory Goal	Outstanding Goal	1997 Actual
Open branch	0	1	1
Increase ATMs in alternative locations	1	2	5
Explore loans by phone	X	X	X
Explore opening accounts by mail	X	X	X

Product Goals

FNB substantially met its product goals for Satisfactory. The following table shows the bank did not meet its goal of offering a low minimum balance Certificate of Deposit (CD). Management's analysis suggested the product was not cost effective at such a low minimum. However, the low minimum balance requirement remains on one 60-month CD. As shown below, the bank met its goals for the other categories including a free checking account and a loan product targeted to low- and moderate-income applicants. The Iolta accounts are accounts allowed by state law and set up with escrow funds from state attorneys. The bank waives fees on the account. Earnings from the account are used to serve low- and moderate-income defendants.

Product Goals for 1997

	Satisfactory Goal	Outstanding Goal	1997 Actual
\$500 CD minimum	X	X	-
Loan product to LMI individuals	1X yr	2X yr	1
Low cost or free checking	X	X	X
Iolta accounts at no fee and higher rate	X	X	X
Vehicle for consumer education	1	2	1

FNB developed a consumer loan product targeted to LMI applicants. The program was a used car promotion offering below market interest rates and no origination fee. This product was advertised in free weekly publications. FNB made 59 loans under this program totaling \$569,981. FNB established a vehicle for consumer education through contacts with the local schools.

Community Development Services

FNB exceeded its “Outstanding” goals for community development services. Officers are highly involved in seven organizations that have community development as their primary purpose. Goals for the number of organizations were five for “Satisfactory” and six for “Outstanding”.

The following are examples of officer involvement in community development services:

Center for Business Innovation - Senior Vice President provides financial expertise on a micro-loan committee that approves small business loans in the metropolitan area that includes Johnson County.

Habitat for Humanity - bank officer uses his financial expertise on the family selection committee that provides affordable housing for low- and moderate-income individuals.

County Business Tech Center - bank President provides financial expertise through oversight management of the tech center. The tech center fosters development of small business.

Community Development Block Grant - Senior Vice President provides financial expertise by reviewing proposals for use of the funds and makes recommendations as member of the grant advisory committee.

Women’s Foundation - Senior Vice President provides financial expertise by sitting on the Investment Committee that sets the policies for investments for the Foundation. The Foundation grants monies to various community development activities that revitalize neighborhoods, i.e., drug programs, job placement.

Housing Coalition - Vice President in real estate provides financial expertise to the Coalition in the evaluation and selection of rental properties targeted to LMI individuals.

Fair Lending

No violations of the substantive provisions of the anti-discrimination laws and regulations (Equal Credit Opportunity Act, Fair Housing Act or Home Mortgage Disclosure Act) were identified.

FNB’s fair lending policies, procedures, training programs, and internal assessment efforts have been effective in preventing discriminatory treatment of bank customers and loan applicants.