



# **INTERMEDIATE SMALL BANK**

## **PUBLIC DISCLOSURE**

August 5, 2013

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

National Bank of Kansas City  
Charter Number: 23748

**10700 Nall Avenue  
Overland Park, KS 66211**

Office of the Comptroller of the Currency

**Kansas City Field Office  
7101 College Blvd, Suite 1600  
Overland Park, KS 66210**

**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: Satisfactory.**

**The lending test is rated satisfactory.**

**The community development (CD) test is rated satisfactory.**

The major factors supporting the institution's rating:

- National Bank of Kansas City's (NBKC) loan-to-deposit ratio reflects reasonable responsiveness towards meeting credit needs of the community.
- NBKC's geographic dispersion of mortgage loans is reasonable in the Kansas City metropolitan statistical area (MSA).
- NBKC's borrower distribution of mortgage loans is reasonable in the Kansas City MSA.
- NBKC's performance under the CD test is satisfactory. The dollar volume of CD qualified investments totals \$1.5 million.

## **Scope of Examination**

We conducted this CRA examination using the intermediate small bank performance evaluation procedures. The procedures use two tests (lending and CD) to evaluate NBKC's CRA performance. We performed a full-scope review in the Kansas City assessment areas (AA). NBKC delineated four AAs that were combined into one for evaluation purposes. Home mortgage loans are the primary products for NBKC. These loan products are consistent with NBKC's business strategy. For home mortgage loan products, primary weight was given to home refinance loans since these products had the most volume by both number and dollar volume.

We performed a data integrity review prior to the examination. We found the data to be accurate and reliable. Therefore, we reviewed 100 percent of these loans originated and purchased during the evaluation period.

We used 2011 peer mortgage and updated 2000 census data to assist with analyzing NBKC's CRA performance. The evaluation period for the lending test is January 1, 2010 – December 31, 2011. The evaluation period for the CD test is October 1, 2009 – August 5, 2013.

## **Description of Institution**

NBKC is a \$583.4 million interstate financial institution headquartered in Overland Park Kansas. NBKC is primarily owned by Jim Tinsman and Humbert Tinsman. Jim Tinsman, Jr. also holds a 10 percent stake in NBKC's holding company. In addition to the main banking facility, NBKC has six branch locations and deposit-taking ATM's within its AA.

NBKC is a full-service bank with two branches located in a highly competitive area of Johnson County, Kansas and four branch offices in Clay, Platte, and Jackson counties in Missouri. Besides traditional banking products, NBKC also offers mortgage products nationwide through the mortgage division. NBKC sells loans originated by the mortgage division on the secondary mortgage market. The primary business focus is on residential lending. NBKC did not open or close any branches during the evaluation period.

As of June 30, 2013, the loan portfolio comprised of 54 percent residential, 26 percent other real estate, 7 percent commercial, 5 percent construction, 5 percent agricultural, and 3 percent multifamily. Net loans represent 66 percent of total deposits and 36 percent of total assets. Tier 1 capital is \$91.5 million.

NBKC has the financial capacity to assist in meeting the credit needs in its AA. There are no known legal or financial constraints that impede CRA efforts. NBKC received a "Satisfactory" rating on its last CRA evaluation dated January 4, 2010.

## **Description of Assessment Area**

For CRA evaluation purposes, we combined four delineated AAs located in the same multistate MSA, Kansas City, MO-KS into one AA. The combined AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income areas.

We conducted a community contact during this examination. Our contact indicated there were additional opportunities for financing affordable housing in Johnson County, Kansas. In addition, the contact mentioned the need for banks to provide financial literacy training in their communities, a service that many NBKC employees participate in within the AA.

The Kansas City AA includes four separate AA delineations that we combined for analysis purposes. Each delineated AA is described below:

### City of Lee's Summit, Missouri

The Lee's Summit AA consists of all census tracts located in the city and is located in Jackson County, which is part of the Kansas City MSA. There is one branch located in Lee's Summit, Missouri. The delineation of the AA complies with the regulation and does not arbitrarily exclude any low- and moderate-income areas. The Lee's Summit AA has 18 census tracts, which are designated 5.56 percent moderate-income, 27.78 percent middle income, and 66.66 percent upper-income.

Competition from other financial institutions is strong. There are 29 competing institutions in this AA. NBKC ranked as 18<sup>th</sup>, with a market share of 1.89 percent. Primary competitors are large banks, thrifts, and community banks, with major competitors being Bank of Lee's Summit, Commerce Bank, Bank of the West, and Bank of America. The adjusted median family income for this AA is \$72,300.

Economic growth, personal income, and employment in the AA are forecasted to improve in 2013, and employment is forecasted to improve further in 2014. The April 2013 AA unemployment rate is 4.7 percent, compared to the state average of 6.6 percent and the national rate of 7.3 percent for the same time-period.

### Johnson County, Kansas

The Johnson County AA consists of the entire county and is located in Kansas and in the Kansas City MSA. There are two branches in this AA located in Leawood and Overland Park, Kansas. The delineation of the AA complies with the regulation and does not arbitrarily exclude any low- and moderate-income areas. The Johnson County AA has 107 census tracts, which are designated 1.87 percent moderate-income, 38.31 percent middle income, and 59.80 percent upper-income.

Competition from other financial institutions is strong. There are 65 competing institutions in this AA. NBKC ranked as 18<sup>th</sup>, with a market share of 1.62 percent. Primary competitors are large banks, thrifts, and community banks, with major competitors being UMB Bank, Commerce Bank, Valley View State Bank, and Metcalf Bank. The adjusted median family income for this AA is \$72,300.

Economic growth, personal income, and employment in the AA are forecasted to improve in 2013, and employment is forecasted to improve further in 2014. Manufacturing has improved, and increased business activity has increased hiring in support industries such as finance, professional, and business services. The April 2013 AA unemployment rate is 4.5 percent, compared to the state average of 5.5 percent and the national rate of 7.3 percent for the same time-period. Varied employment industries in the AA include telecommunications, manufacturing, health care, financial services, engineering, and agribusiness. Major employers include Ford, H&R Block, AT&T, DST Systems, Hallmark Cards, Cerner, Sprint Corporation, and city, state and federal governments.

### Cities of Liberty and Excelsior Springs, Missouri

The Liberty and Excelsior Springs AA consists of all census tracts located in the two cities, and is located in Clay County, which is part of the Kansas City MSA. There are two branches in this AA, one in Liberty, Missouri and one in Excelsior Springs, Missouri. The delineation of the AA complies with the regulation and does not arbitrarily exclude any low- and moderate-income areas. The Liberty and Excelsior Springs AA has 12 census tracts, which are designated 66.67 percent middle income and 33.33 percent upper-income.

Competition from other financial institutions is strong. There are 18 competing institutions in this AA. NBKC ranked as 9<sup>th</sup>, with a market share of 4.21 percent. Primary competitors are large banks, thrifts, and community banks, with major competitors being NBH Bank, Bank of America, BankLiberty, and Commerce Bank. The adjusted median family income for this AA is \$72,300.

Economic growth, personal income, and employment in the AA are forecasted to improve in 2013, and employment is forecasted to improve further in 2014. The April 2013 AA unemployment rate is between 5.7 and 6.5 percent, compared to the state average of 6.6 percent and the national rate of 7.3 percent for the same time-period.

### Platte City, Missouri

The Platte City AA consists of all census tracts located in the city and is located in Platte County, which is in the Kansas City MSA. There is one branch in this AA located Platte City, Missouri. The delineation of the AA complies with the regulation and does not arbitrarily exclude any low- and moderate-income areas. The Platte City AA has three census tracts, which are designated 66.67 percent middle income and 33.33 percent upper-income.

Competition from other financial institutions is strong. There are six competing institutions in this AA. NBKC ranked as 5<sup>th</sup>, with a market share of 5.96 percent. Primary competitors are thrifts and community banks, with major competitors being Platte Valley Bank of Missouri, Wells Bank of Platte City, Bank of Weston, and BankLiberty. The adjusted median family income for this AA is \$72,300.

Economic growth, personal income, and employment in the AA are forecasted to improve in 2013, and employment is forecasted to improve further in 2014. The April 2013 AA unemployment rate is 5.0 percent compared to the state average of 6.6 percent and the national rate of 7.3 percent for the same time-period.

## **Conclusions with Respect to Performance Tests**

### **LENDING TEST**

NBKC's performance under the lending test is satisfactory. NBKC's geographic distribution of loans is reasonable in the combined AA for the Kansas City MSA. NBKC's performance relative to borrowers of different income levels is reasonable in the Kansas City MSA.

### **Loan-to-Deposit (LTD) Ratio**

NBKC's LTD ratio reflects reasonable responsiveness to the credit needs of its AA. NBKC's quarterly average net LTD ratio since its last CRA examination is 72.44 percent. The average LTD ratio for competitor banks is 76.98 percent. Much of the local competition consists of branches of much larger institutions. The LTD ratios for comparable financial institutions with branches in the AA range from 40.03 to 112.59 percent.

### **Lending in Assessment Area**

NBKC makes the substantial majority of its loans outside of its AA. NBKC's mortgage division originates local and nationwide mortgages through the Internet, which directly impacts lending within its AA which results in the average lending through primary products accounting for less than 50 percent of the loan portfolio.

We performed an analysis of the percentage of all HMDA loans originated during 2010 and 2011. NBKC originated 5.05 percent by number and 3.86 percent by dollar volume of these loans in its AA. The primary method of lending is through the Internet, which accounts for almost all residential real estate (RRE) lending.

Table 1 – Lending in National Bank of Kansas City’s AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	180	5.27	3,234	94.73	3,414	39,295	4.36	861,590	95.64	900,885
Home Refinance	448	4.96	8,588	95.04	9,036	96,853	4.36	2,520,266	96.30	2,617,119
Home Improvement	11	5.16	202	94.84	213	1,649	2.98	53,727	97.02	55,376
Totals	639	5.05	12024	94.95	12,663	137,797	3.86	3,435,583	96.14	3,573,380

Source: HMDA data 2010-2011.

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

#### Conclusion for Full-Scope AA

Overall, borrower distribution of loans is reasonable for the Kansas City MSA. We placed the primary weight on the home refinance loans made during the evaluation period.

#### Kansas City MSA:

##### *Home Mortgage Loans*

The overall distribution of home mortgage loans to borrowers of different income levels reflects reasonable penetration. We gave primary weight to home refinance loans, representing 70 percent of loans originated and/or purchased during the evaluation period. Home purchase loans were 28 percent of originated loans and home improvement loans were 2 percent. The percentage of families below the poverty level is 3.88 percent.

For home refinance loans, penetration to low-income borrowers is reasonable given the percentage of families below the poverty level. Penetration of these loans to moderate-income borrowers is adequate. Home purchases for moderate-income borrowers show excellent penetration, with 20 percent of loans to moderate-income borrowers compared to only 13.72 percent of families in the AA. However, primary weight is given to home refinances, which show reasonable penetration.

The following table shows the distribution of home loan products among borrowers of different income levels for the period of January 1, 2010 through December 31, 2011 as compared to the percentage of families in each income category.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Kansas City MSA									
Borrower Income Level	Number of Loans	Low		Moderate		Middle		Upper	
Loan Type		% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	180	9.32	1.71	13.72	20.00	22.70	32.00	54.26	46.29
Home Refinance	448	9.32	1.64	13.72	12.33	22.70	20.82	54.26	65.21
Home Improvement	11	9.32	0.00	13.72	0.00	22.70	36.36	54.26	63.64

Source: HMDA data for 2010-2011 and HUD-updated 2000 U.S. Census data

### Geographic Distribution of Loans

Overall, NBKC’s geographic dispersion of loans is reasonable.

### Conclusion for Full-Scope AA

#### Kansas City MSA:

##### *Home Loans*

NBKC’s geographic dispersion of loans in moderate-income census tracts is reasonable. The percentage of home refinance loans in moderate-income tracts is reasonable compared to demographics. There are no low-income census tracts. NBKC did not originate any home purchase and home improvement loans in moderate-income tracts; however, the AA only has 1.29 percent of owner-occupied housing in moderate census tracts.

The table below illustrates NBKC’s geographic dispersion of RRE loans compared to demographic data.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Kansas City MSA							
Census Tract Income Level	Number of Loans	Moderate		Middle		Upper	
Loan type		% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	180	1.29	0.00	37.56	26.11	65.63	75.18
Home Refinance	448	1.29	0.89	37.56	16.74	65.63	77.48
Home Improvement	11	1.29	0.00	37.56	27.27	65.63	86.49

Source: data reported under HMDA; 2000 U.S. Census data.

### Responses to Complaints

NBKC did not receive any complaints during the evaluation period regarding its CRA performance.

### COMMUNITY DEVELOPMENT TEST

NBKC’s CD performance is satisfactory. Bank management has adequately responded to the community’s needs through CD activities including investments and services that benefit low- and moderate-income families and geographies.

### Qualified Investments

Since the last CRA examination in January 2010, NBKC purchased a \$1,047 thousand bond for CRA purposes. This bond, which was issued March 27, 2013, consists of 7 RRE loans within the AA. In addition, NBKC purchased a \$200 thousand bond promoting economic development in the AA and a \$271 thousand GNMA bond in low- and moderate-income residential real estate. The project created 163 full time jobs with average wages of \$26,750. These are NBKC's main qualified investments.

Since the last CRA examination, NBKC's total qualified investments, including donations, within its AA were \$1.5 million. Donations were made to several different organizations that primarily serve low- and moderate-income families.

### Community Development Services

Additional efforts by NBKC staff include presentations and participation in various organizations within the AA. These organizations are targeted to groups that include individuals who are homeless or at risk of being homeless, and individuals who are uneducated about banking programs available to low- and moderate-income families.

### Other Activities

NBKC has developed a small dollar loan program that grants access to credit for borrowers with rough or little credit history. During the examination period, NBKC extended 87 loans of which 34 were the low- to moderate-income borrowers.

### **Responsiveness to Community Development Needs**

NBKC's performance under the CD test shows a reasonable level of responsiveness given performance in the full-scope AA.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.