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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**August 26, 1997**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Northland National Bank  
Charter Number 21071**

**99 N.E. 72nd Street  
Gladstone, Missouri 64118**

**Office of the Comptroller of the Currency  
Kansas City Duty Station  
6700 Antioch Road, Suite 450  
Merriam, Kansas 66204-1277**

**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 CRA performance of Northland National Bank, Gladstone, Missouri prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of August 26, 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.**”

Northland National Bank is helping to meet the credit needs of its assessment area. The bank consistently maintains a reasonable loan to deposit ratio, with a majority of loans being made within its assessment area. Lending efforts penetrate all segments of the assessment area and are dispersed to borrowers of all income levels.

## **DESCRIPTION OF INSTITUTION**

Northland National Bank (NNB) is a \$31 million independently owned institution located in Gladstone, Clay County, Missouri. The bank has no holding company. NNB serves bank customers with “drive-thru” service and is in the process of installing an on-premise ATM. The bank has no branch facilities.

NNB offers a full range of commercial, real estate and consumer credit products, in addition to traditional deposit services. Commercial loans dominate the loan portfolio, representing 70% of the outstanding dollar amount of total loans as of June 30, 1997. The remaining portfolio mix consists of 1-4 family residential loans (17%) and consumer loans (13%). No financial or legal impediments prevent NNB from helping to meet the credit needs of its assessment area.

## **DESCRIPTION OF ASSESSMENT AREA**

NNB’s assessment area (AA) meets the requirements of the CRA regulation and does not arbitrarily exclude low or moderate income areas.

The bank’s AA consists of 43 census tracts with 31 in Clay County, Missouri and 12 in Jackson County, Missouri. Both counties are located in the Kansas City, Missouri-Kansas Metropolitan Statistical Area (Kansas City MSA). According to 1990 Census data, the total population of the bank’s AA is 164,174. Within the AA, 2% of the tracts are low-income, 7% are moderate, 52% are middle, and 38% are upper. All low and moderate income census tracts border the Missouri River.

The 1997 HUD MSA median family income for the Kansas City MSA is \$50,200. Within the AA, 13% of families are low-income, 17% moderate, 27% middle, and 43% upper. The average housing cost in the AA is \$70,250 with 60% of the housing units owner occupied. Numerous employers offer diverse employment opportunities.

Credit needs include home loans, small business loans, and loans for the renovation of commercial buildings. These needs were obtained from community contacts performed by other agencies within the last year.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

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

NNB’s eight quarter average loan-to-deposit ratio is more than reasonable. An average of 66% of its deposits are reinvested in loans, according to reliable bank information. This ratio ranks slightly above the 64% average for the bank’s peer group (a national group of banks of similar size and characteristics). Ten other banks in the AA compete directly for loan customers. The competitors’ loan-to-deposit ratios range from 30% to 90%, as of March 31, 1997.

***Lending in Assessment Areas***

The bank originates a majority of its loans within its assessment area. Based on reports prepared by the bank using information as of June 30, 1997, 54% by dollar volume and 57% by number of the bank’s total outstanding loans are within the AA.

The following chart summarizes our analysis of the bank’s Home Mortgage Disclosure Act Loan Application Register (HMDA-LAR). This shows that a majority of the bank’s mortgage loan originations (home purchase, home improvement, and refinance loans) were within the bank’s AA.

<b>Mortgage Loan Originations</b>						
	<b>1997 (year to date)</b>		<b>1996</b>		<b>1995</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
<b>In AA</b>	3	\$141	5	\$344	11	\$910
<b>Outside AA</b>	0	\$0	5	\$116	4	\$109
<b>Total Originations</b>	3	\$141	10	\$460	15	\$1,018
<b>% in AA</b>	100%	100%	50%	75%	73%	89%

**Note:** Chart analyzes number of loan originations and the dollar volume (000's) of those originations.

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

**Business Loans**

The distribution of business loans originated in 1996 and 1997 (year to date) reflects reasonable distribution among businesses of different sizes. We analyzed 10% of total business loans (by number) based on revenues. The following chart shows that a majority of business loans originated were to small businesses. This analysis compares favorably with the AA demographics and indicates the bank is meeting the need for small business loans within its community.

<b>Distribution of Business Loans by Revenue (within the Assessment Area)</b>			
	<b># of Loans</b>	<b>% of Loans</b>	<b>Assessment Area</b>
<b>Loans to Small Businesses (Revenues &lt; \$1 million)</b>	22	73%	86%
<b>Loans to Large Businesses (Revenues &gt; \$1 million)</b>	8	27%	14%
<b>Total Loans Reviewed</b>	30	100%	100%

**Consumer Loans**

NNB's consumer lending reflects good distribution among individuals of different income levels. We analyzed 10% of total consumer loans (by number), originated in 1996 and 1997, based on borrower income. The following chart compares the results of our analysis with the AA demographics.

<b>Income Distribution of Consumer Loans</b>					
	<b>#</b>	<b>%</b>	<b>(000's) \$</b>	<b>%</b>	<b>Income designation of Families within assessment area</b>
<b>Low</b>	8	24%	\$51	17%	13%
<b>Moderate</b>	10	30%	\$102	33%	17%
<b>Middle</b>	7	21%	\$56	18%	27%
<b>Upper</b>	8	24%	\$97	32%	43%
<b>Total Loans Reviewed</b>	33	100%	\$305	100%	

**Residential Real Estate Loans**

The distribution of mortgage lending reflects reasonable penetration among individuals of different income levels. The table below shows the distribution of HMDA reportable loans (home purchase, home improvement, and refinance loans) originated among borrowers of different income levels within the bank's AA.

<b>Mortgage Loan Originations</b>							
	<b>1995</b>		<b>1996</b>		<b>1997 year to date</b>		<b>Income designation of families within assessment area</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	
<b>Low</b>	1	9%	1	20%	1	33%	13%
<b>Moderate</b>	3	27%	0	0%	0	0%	17%
<b>Middle</b>	2	18%	2	40%	1	34%	27%
<b>Upper</b>	5	46%	2	40%	1	33%	43%
<b>Total Originations</b>	11	100%	5	100%	3	100%	

***Geographic Distribution of Loans***

The geographic distribution of NNB's commercial loans reflects reasonable penetration throughout the assessment area. The assessment area contains only one low-income and three moderate-income census tracts. These four census tracts border the Missouri River and consists primarily of vacant land or commercial businesses. The old downtown airport is also located in the low income census tract.

We used internal bank reports listing commercial loans by zip code and verified the address location. Our analysis shows the bank originated 9 business loans during 1996 and 1997 that were located in low- or moderate-income census tracts. The same report shows that NNB has made loans in all geographies within the assessment area.

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

Examiners did not identify any substantive violations or evidence of discrimination. We did not note any practices intended to discourage applications for any type of credit the bank offers.