

## **PUBLIC DISCLOSURE**

April 13, 1999

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Clinton  
Charter Number 14532  
2nd & Jefferson Street  
Clinton, Missouri 64735**

**Office of the Comptroller of the Currency  
Kansas City South Field Office  
6700 Antioch Road, Suite 450  
Merriam, Kansas 66204-1200**

**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 **First National Bank of Clinton (FNB)** prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 13, 1999. 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.

- C The distribution of borrowers within the bank's three primary loan product shows reasonable penetration among individuals of different income levels and businesses of different sizes;
- C The majority of loans are made within the bank's assessment area; and
- C The bank's loan to deposit ratio is reasonable.

## DESCRIPTION OF INSTITUTION

FNB has \$42 million in total assets and is a subsidiary of Financial Enterprises Inc., a one bank holding company. The main office, branch, and one ATM are located in Clinton, Missouri. The ATM is at the branch location.

The bank's lending area includes all of Henry County, and portions of St. Clair, Benton, Pettis, Johnson, Cass and Bates Counties. In addition, the bank specializes in making aircraft loans to persons located anywhere in the continental United States. The following table details the dollar amount of loans outstanding as of December 31, 1998.

LOAN TYPE	\$ AMOUNT OUTSTANDING	PERCENT OF TOTAL LOANS
COMMERCIAL, INDUSTRIAL AGRICULTURAL, AND REAL ESTATE DEVELOPMENT	12,919	53.54
REAL ESTATE	6,816	28.25
CONSUMER AND CREDIT CARDS	3,423	14.18
OBLIGATIONS OF POLITICAL ENTITIES	966	4.00
OTHER	5	.02

Competition for financial services within the community is very strong, especially for mortgage products. Two local banks were recently purchased by larger financial institutions. FNB expects this to favorably impact its ability to compete within the community. The bank offers a full range of traditional banking services at the main bank and full depository services at the branch location.

There are no legal, financial, or other factors impeding FNB's ability to help meet the credit needs of its assessment area.

As of December 31, 1998, the dollar volume of FNB's loan portfolio represented 51% of the bank's total assets. FNB is primarily a commercial lender. The bank is a member of the Henry County Community Development Corporation, created to attract new industry to the area. However, the bank offers a variety of loan products, including residential real estate, consumer, and agricultural loans. The distribution by dollar volume of loan products are: commercial 65%, 1-4 family real estate 21%, consumer 13%, and agriculture 1%.

First National Bank of Clinton was rated "Satisfactory record of meeting community credit needs" at its last CRA examination in September 1995.

## DESCRIPTION OF ASSESSMENT AREA

FNB has designated Henry County as its assessment area (AA), which meets regulatory requirements. The HUD updated 1998 median family income is \$34 thousand for the bank's AA.

Henry County Demographics:

Assessment Area	Census Tract information	Family Income
All of Henry County	6 census tracts (All middle income)	Low income - 20.88 percent Moderate-income 21.13 percent Middle income- 21.38 percent Upper income- 36.61 percent

Data source - 1990 Census

The 1990 census data lists the population of Henry County at 20 thousand. About 18.38 percent of households are below the poverty level. The median housing value is \$35 thousand and 64.53 percent of the homes are owner-occupied. Clinton, the county seat, has an approximate population of 10 thousand. The unemployment rate as of September 1998 is 3.5 percent.

The economy is based on light manufacturing, agriculture, and tourism. Truman Lake is an area recreational attraction. The major employers in the area are Schreiber Foods, Tracker Marine, Rival Manufacturing, Golden Valley Hospital, Walmart, and the Clinton School District. Four banks and one savings and loan are FNB's major competitors. In addition, mortgage companies work directly with local realtors to offer loan services.

Examiners made two community contacts during the examination. These contacts included an economic development organization and a housing organization. Both contacts indicated a need for financial training assistance for both small businesses and individuals. Our contacts also stated area financial institutions are meeting community credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

Our conclusions are based on a sample of loans originated during January 1996 to December 1998.

FNB's lending to borrowers of different income levels and to business of different sizes is satisfactory. The bank is doing a good job of lending to businesses with total gross revenues of less than \$1 million. A substantial majority of the sampled loans were to businesses in this category, as indicated in the following table:

LOAN SAMPLE	Number	Percent of loan sample	Percent of business*
< \$1 million gross revenue	20	80	82
> \$1 million gross revenue	2	8	6
Revenue not reported	3	12	12

\* based on businesses located in the assessment area

Of the twenty loans in our sample with revenues under \$1 million, 73 percent represented loan amounts under \$250 thousand.

FNB participates with the Small Business Administration program. The bank's niche market is aircraft loans which represented 44 percent of the total dollar amount of commercial loans originated during our evaluation period.

Residential real estate lending is satisfactory among the various borrower income categories. The percentage of loans made to low-income individuals is low. However, 18.38 percent of the number of households in the bank's assessment area are below the poverty level. Also, 88 percent of housing units are occupied. With limited vacant housing, it is more difficult for people to purchase homes. The percentage of loans to moderate-income borrowers is comparable to demographics. The following table represents the results of our residential and consumer loan sample.

Loan Type	Loan Sample	Low	Moderate	Middle	Upper
Residential	28	1	6	5	16
<b>Percent of loans</b>		<b>3.57</b>	<b>21.43</b>	<b>17.86</b>	<b>57.14</b>
Consumer	45	9	11	11	14
<b>Percent of loans</b>		<b>20.00</b>	<b>24.44</b>	<b>24.44</b>	<b>31.11</b>
<b>% of families in AA</b>		<b>20.88</b>	<b>21.13</b>	<b>21.38</b>	<b>36.61</b>

FNB participates in the First Time Home Buyers program. The bank does not offer long-term fixed rate mortgages. However, FNB refers loan applications for these types of loans to other financial institutions who also offer 100 percent financing of the appraised real estate value. During the evaluation period, the bank referred one low-income, eight moderate-income, and nine middle-income applications which resulted in loan originations.

The bank does a good job of making consumer loans to borrowers of different income levels. Loan originations to low- and moderate-income borrowers are at or above demographics based on our consumer loan sample.

**Comparison of Credit Extended Inside and Outside of the Assessment Area**

A substantial majority of loans originated within our evaluation period are in the bank’s assessment area in all of the primary loan categories.

We based the conclusion on a sample of commercial, residential real estate, and consumer loans originated during our evaluation period. The following tables represent our results.

	RESIDENTIAL	
	Number	Percentage
In assessment area	28	93
Out assessment area	2	7

	COMMERCIAL AND AGRICULTURAL	
	Number	Percentage
In assessment area	14	56
Out assessment area	11	44

	CONSUMER	
	Number	Percentage
In assessment area	52	79
Out assessment area	14	21

## **Net Loan-To-Deposit Ratio Trend Analysis**

FNB's average loan to deposit ratio is reasonable. A slight downward trend in the last three years is due to a growing deposit base and slower loan growth due to strong competition from other financial institutions.

The bank's quarterly average ratio of 60.0 is within the local peer group quarterly average of 64.3. Since the bank pursues aircraft loans on a national level, we also looked at a national peer quarterly average. Again, the bank is reasonable in comparison to the national peer average of 67.4.

## **Community Development Investments**

In May 1997, FNB purchased 1000 shares of stock in the Henry County Community Development Corporation (CDC). The CDC was formed along with Citizens State Bank, Union State Bank and Henry County Water Company. The primary purpose of the CDC is to promote economic development that will retain and create new jobs. The CDC will also assist new and existing small businesses in low- and moderate-income areas of Henry County.

The CDC built a 60,000 sq. ft. speculative building in a local industrial park. The project received funding through a grant program with the Missouri Department of Economic Development. This program stipulates the building will be sold to a company that meets Community Development Block Grant guidelines. FNB helped secure the loan by issuing an \$86 thousand Letter of Credit.

The bank made nominal qualified donations to help support low- and moderate-income individuals during our evaluation period. To qualify for consideration, an investment must take the form of an investment security, deposit, membership share, or grant that has community development as its primary purpose.

## **Geographic Distribution of Loans**

A geographic distribution analysis for this assessment area is not meaningful, as all census tracts within the assessment area are designated as middle-income.

## **Response to Complaints**

The bank has received no complaints with regard to the bank's CRA performance during the evaluation period.

## **Compliance With Anti-discrimination Laws and Regulations**

Based on the results of this examination, we found no evidence of disparate treatment or discrimination. FNB is in substantial compliance with all the provisions of the anti-discrimination laws and regulations.