



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**February 2, 2005**

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

**Douglass National Bank  
Charter Number 23180**

**1670 East 63rd Street  
Kansas City, Missouri 64110**

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

**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 COMMUNITY REINVESTMENT ACT (CRA) RATING**

This institution is rated Outstanding.

Douglass National Bank's (DNB) CRA performance is considered outstanding for the level of lending done, and the efforts made to help meet the credit needs of its assessment area (AA). Lending performance, as measured by the net loan-to-total deposit ratio, shows the bank below the levels of community banks in its local area. Within its lending activity, the bank has an excellent record of originating loans in its AA and to borrowers of different income levels and businesses/farms of different sizes above the population demographics of the AA.

Examiners reviewed a sample of 20 loans for each of the bank's primary loan types originated from January 1, 2000 through December 31, 2004 to determine the bank's lending performance. We selected commercial loans, which include commercial real estate, and consumer installment loans as the bank's primary types based on outstanding loans funded since the last CRA evaluation. Commercial loans by number and origination dollars represented 37 percent of loans by number and 82 percent by dollar. Consumer installment loans represented 50 percent of loans funded by number. We compared bank performance using these two primary loan types against demographics from 2000 U.S. Census data.

DNB has an excellent record of lending to borrowers of different incomes.

The distribution of commercial loans reflects an excellent penetration of small and large commercial borrowers. Small commercial borrowers are identified as generating revenues of less than \$1 million, and large commercial borrowers generate revenues greater than \$1 million. Our sample indicates lenders originated 90 percent by number and 94 percent by dollar to small businesses with revenues less than \$1 million. Demographic data indicates small businesses represent 63 percent of total businesses by number.

The distribution of consumer installment loans reflects a good penetration of low- and moderate-income borrowers based on our sample, considering that 12 percent of households in the AA are below the poverty level. DNB originated 45 percent of consumer loans by number and 25 percent by dollar to low-income individuals, which is comparable to demographic data indicating 27 percent of households are low-income. Consumer loans originated to moderate-income borrowers represented 25 percent by number and 31 percent by dollar, which exceeds the demographic data indicating 19 percent of households are moderate-income. Examiners used 2004 demographic information for the comparison, as this was the most conservative number.

DNB's record of lending within the AA is very good.

For commercial loans sampled, DNB originated 90 percent by number and 92 percent by dollar within the AA. Of the consumer installment loans sampled, 95 percent by number and 97 percent by dollar were funded within the AA. In total of the loans sampled, 93 percent by number and 93 percent by dollar were funded within the AA.

DNB's quarterly average loan-to-deposit ratio since the last CRA evaluation is below that of similarly situated banks.

DNB has an adequate net loan-to-deposit ratio, and has improved their ratio since the last evaluation period. DNB's September 30, 2004 net loan-to-deposit ratio is 80.19, compared to 55.02 at the last examination. We used a twenty-quarter average since the last examination for comparison with other banks. We compared DNB to five local financial institutions that provide the most competition for the bank and range in size from \$77 million to \$522 million. During the evaluation period, the bank's average loan-to-deposit ratio was 61.91 percent. By comparison, the average loan-to-deposit ratio for the other similar situated institutions was 77.34 percent. There are currently no impediments or factors that prohibit DNB from making quality loans for their portfolio.

DNB's geographic distribution of loans among various census tracts within their AA is excellent.

DNB's percentage of lending in low- and moderate-income tracts exceeds demographics in all consumer loan categories. Based on 2003 loans sampled, DNB originated 31 percent by dollar and 27 percent by number in low-income tracts, as well as 52 percent by dollar and 36 percent by number in moderate-income tracts. Demographics data indicates 10 percent and 37 percent of households in the AA are designated as low- and moderate-income tracts, respectively.

For the 2004 loans sampled, DNB originated 3 percent by dollar and 33 percent by number in low-income tracts, as well as 59 percent by dollar and 55 percent by number in moderate-income tracts. Demographics data indicates 10 percent and 36 percent of households in the AA are designated as low- and moderate-income tracts, respectively.

DNB's percentage of lending to businesses in low- and moderate-income tracts exceeds demographics in all commercial loan categories. Based on 2003 loans sampled, DNB originated 14 percent by dollar and 9 percent by number in low-income tracts, as well as 38 percent by dollar and 55 percent by number in moderate-income tracts. Demographics data indicates 11 percent and 33 percent of businesses in the AA are designated as low- and moderate-income tracts, respectively.

For 2004 commercial loans sampled, DNB originated 27 percent by dollar and 38 percent by number in low-income tracts, as well as 73 percent by dollar and 62 percent by number in moderate-income tracts. Demographics data indicates 11 percent and 32 percent of businesses in the AA are designated as low- and moderate-income tracts, respectively.

## COMMUNITY CONTACT

During the examination, we conducted a community contact with an individual involved in an organization that secures funding for small businesses within the community. The contact discussed general economic conditions, and verified the primary credit need is housing for low and moderate-income residents. The contact stated the community has improved on bringing and retaining small businesses within the area. The contact felt the banks in the area are meeting the needs of the community, and was unaware of negative perceptions or experiences regarding any of the banks.

## COMMUNITY DEVELOPMENT INVESTMENTS

DNB continues to support organizations within its AA that benefit low- and moderate-income individuals and families. A review of the donations made reflect most were to organizations that primarily serve low- and moderate-income individuals and families.

#### QUALIFIED SERVICES

Employees of DNB continue to serve as board or committee members for various agencies that benefit low- and moderate-income individuals in the Kansas City, Missouri-Kansas communities. In this capacity, bank employees provide their technical expertise to provide needed assistance. In addition, DNB continues to offer Financial Literacy classes to church groups, schools, and organizations.

#### RETAIL SERVICES

DNB's locations and retail services meet the needs of their AA. Currently, the bank has three locations within the AA. Two of the locations are located in low-income census tracts, and the remaining location will be located in a moderate-income census tract. The bank operates two automatic teller machines.

#### COMPLAINTS

DNB has not received any consumer complaints regarding its performance in helping to meet credit needs in the AA during the evaluation period.

#### DESCRIPTION OF INSTITUTION

Douglass National Bank is a \$93 million dollar institution owned by Douglass Bancorp, Inc., a one-bank holding company. The institution is located within the Kansas City, Missouri-Kansas Metropolitan Statistical Area (MSA). The bank's charter is held in Kansas City, Missouri, but it serves the urban market on both sides of the state line, with two branches located in Kansas City, Kansas. In addition, the bank has two automated teller machines. The bank offers a full range of commercial, residential, and consumer loan and deposit products.

DNB's primary loan product is commercial loans, which include commercial real estate, commercial/industrial and construction/development loans. Consumer installment loans are another major loan product.

DNB is designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department.

## DESCRIPTION OF ASSESSMENT AREA

DNB's AA meets regulation requirements and does not arbitrarily exclude low- and moderate-income geographies. The AA includes all of Jackson County, Missouri and Wyandotte County, Kansas, both of which are located in the Kansas City, Missouri-Kansas MSA. There are 47 low-income, 110 moderate-income, 88 middle income and 30 upper income census tracts in the AA. The 2000 Department of Housing and Urban Development (HUD) estimated median family income for the MSA is \$64,900. The AA has a population of 812,762 persons and 206,860 total families.

## LEGAL OR FINANCIAL RESTRAINTS

There are no legal or financial constraints that impede the bank's CRA efforts.