



Comptroller of the Currency
Midwestern District

PUBLIC DISCLOSURE

January 15, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Independence
Charter Number- 8145
113 North Penn
Independence, Kansas 67301**

**Comptroller of the Currency
Midwestern District
Joplin Duty Station
1710 East 32nd Street
Joplin, Missouri 64804**

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 the First National Bank of Independence, Independence, Kansas, prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of January 15, 1997. 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."

The First National Bank's lending patterns reflect reasonable distribution among borrowers of different incomes and businesses of different sizes. These lending patterns also reflect good distribution among moderate and middle income geographies. The bank makes a substantial majority of its loans within its assessment area.

The following table indicates the performance level of First National Bank of Independence with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF INDEPENDENCE PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan-to-Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints received since the prior examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Independence (FNB) is an \$18 million bank located in Independence, Kansas, with branch offices in Independence and Elk City, Kansas. As of September 30, 1996, the bank had total assets of \$18 million, 70% of which were loans. As of that date, the loan portfolio consisted of 41% 1-4 Family Residential Real Estate, 17% Commercial & Industrial, 12% Farmland, 12% Commercial Real Estate, 9% Agricultural, and 9% Consumer. The bank does not operate under any financial or legal impediment which would prevent it from helping to meet the credit needs of the assessment area. The bank offers a wide variety of financial services and products as described in its public file. The last CRA examination of FNB Independence was conducted August 23, 1994.

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) was modified to include all of Montgomery County, Kansas. Montgomery County contains the following number of geographies, or block numbering areas (BNA's) by aggregate income level: zero low-income, (0%), 4 moderate-income, (31%), 7 middle-income, (54%), and 2, (15%), upper-income.

The assessment area has the following distribution of families by income level: 20.4% low-income, 18.9% moderate-income, 23.8% middle-income and 36.9% upper-income. Based on 1990 census information, 17% of the households within the assessment area fall below the poverty income level. The above information is based on the Department of Housing and Urban Development 1996 updated state-wide median family annual income of \$34,300.

A new Cessna aircraft manufacturing plant in Independence is causing growth in the economy of the assessment area. Agri-business remains the principal industry although manufacturing, financial, and service industries provide diversification. FNB competes with eight banks within the assessment area as well as various credit unions and brokerage offices.

Examiners determined the primary credit needs of the assessment area are residential housing related loans, small business, and agricultural loans. We based our conclusion on an analysis of the financial information of banks within the assessment area. The majority of these banks have concentrated their lending in these areas. We also based our conclusion on a review of three contacts with community organizations and realtors made by federal financial institution regulators during 1995 and 1996. All three contacts indicated the community has a need for rental housing and low- and mid-priced new residential construction. Two of the contacts also discussed the need for small business loans. The 1990 census information also supports housing as a primary credit need as the median value of homes within the assessment area is \$24,500 and the median year built is 1942.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's average loan-to-deposit ratio is reasonable. The bank's ratio averaged 72% over the last nine quarters. This ranks the bank above the 65% average of six competing banks in Montgomery County reviewed for the same period.

Lending in Assessment Area

FNB originates a substantial majority of its loans within the assessment area. We based this conclusion on a review of an examiner verified bank credit approval report. The report listed loans originated from January 1, 1996 through December 12, 1996. Ninety percent (299 of 331) of these loans were made within Montgomery County.

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

FNB has reasonable lending penetration among borrowers of different income levels and among businesses of different sizes. In part, we based our conclusion on the results of our review of the examiner verified, bank prepared, residential real estate loan application register and our sample of forty consumer installment loans originated during 1996. The following table illustrates our findings:

Loan distribution by family income				
Income Level	Low-Income	Moderate-Income	Middle-Income	Upper-Income
% Families in Income Level	20%	19%	24%	37%
# Residential Real Estate Loans	0	9	5	14
% of Residential Real Estate Loans	0%	32%	18%	50%
# Consumer Loans	17	10	4	9
% of Consumer Loans	43%	25%	10%	22%
# Total Loans Reviewed	17	19	9	23
% Total Loans Reviewed	25%	28%	13%	34%

The level of residential real estate lending to moderate-income borrowers exceeds the percentage of moderate-income families within the county. The absence of real estate loans to low-income families is not a concern as 17% of the households in the assessment area have annual incomes below the poverty level. This indicates that a significant number of low-income families do not have sufficient income to qualify for credit under the underwriting standards of most banks.

The bank's level of consumer-lending to low-and moderate-income families is good. Forty-three percent of the consumer loans examiners reviewed were to low-income families and 25% to moderate-income families.

We also based our conclusion on the results of our sample of twelve commercial loans originated in 1996. The following table illustrates our findings:

Commercial Loans				
Gross Revenue in 000s	Less than \$100.	\$100 to \$250	\$250 to \$500	\$500 and above
Number	3	1	4	4
Percentage	25%	8%	33%	33%

Our conclusion regarding lending penetration to businesses of different sizes is further supported by the size of the loans originated. We reviewed all commercial notes in the above sample. Of the twelve notes originated, 92% were for a dollar amount less than \$250 thousand. Generally, small dollar amount business loans are made to small businesses and small farms.

Geographic Distribution of Loans

FNB's lending pattern reflects reasonable dispersion to moderate- and middle-income geographies within the assessment area. Examiners reviewed a sample of nineteen 1-4 family residential real-estate loans originated during 1996. We identified whether these loans were for properties located in either moderate-, middle- or upper-income geographies. The following table illustrates the loan dispersion by the income level of the BNA.

Percentage of Loans by Income Level of Tract				
Income of BNA	Low	Moderate	Middle	Upper
# of BNA's	0	4	7	2
% of BNA's	0%	31%	54%	15%
# of Loans	0	5	11	3
% by number.	0%	26%	58%	16%

Finally, the analysis of lending to borrowers of different incomes indicates that FNB has significant lending to low- and moderate-income borrowers.

Compliance with Antidiscrimination Laws and Regulations

We found the bank in compliance with both substantive and technical provisions of antidiscrimination laws and regulations.