



Comptroller of the Currency
Community Reinvestment Act

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**First National Bank of Olathe
Charter Number 3720**

**444 East Santa Fe
P.O. Box 1500
Olathe, Kansas 66051**

**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 CRA performance of First National Bank of Olathe prepared by the Comptroller of the Currency, the institution's supervisory agency, as of October 22, 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.

First National Bank of Olathe remains a strong commercial lender, and uses flexible underwriting practices to make credit available to low- and moderate-income persons and small businesses. First National's distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different sizes. The bank has reasonable coverage of credit to small businesses and excellent individual credit coverage to low- and moderate-income persons. First National is a leader in offering loans through the Small Business Administration. The bank's average loan-to-deposit ratio is reasonable given its financial capacity and its competitive environment, and a substantial majority of its loans are in its assessment area.

Description of Institution

First National Bank of Olathe (First National) is a \$337 million bank located in Olathe, Kansas. It is owned by First Olathe Bancshares, Inc., a one-bank holding company. The bank has seven ATMs and four branch locations within the assessment area. First National faces strong competition. Within the bank's assessment area, there are twenty-one active banks with headquarters offices in the area, and branches of other major regional banks, as well as a number of stand-alone mortgage companies.

First National's primary lending focuses are construction/development, small business, and commercial real estate. Among the loan categories reported in the Consolidated Reports of Condition, First National leads in both commercial & industrial and construction & development. In these two categories for the last three fiscal years, the bank ranks in the upper 6% of its national peer group and the upper 10% of a custom peer group of banks in Johnson County. As of June 30, 1997, the bank's loan portfolio totaled \$144 million and consisted of 51% commercial, 21% construction and development, 18% commercial real estate, 5% consumer, and 5% residential real estate and home improvement. There are no other factors or legal impediments, including the financial condition of the bank, which hinder its ability to fulfill its CRA obligation.

At the February 1995 examination, the OCC examined the bank under five performance categories using twelve assessment factors. The bank received a rating of "Outstanding record of meeting community credit needs." At this examination, we reviewed the bank's commercial lending activity from 1996 to July 1997, and home improvement lending for 1995, 1996, and 1997 through July. We used revised examination procedures which incorporate the 1997 amendments in the regulation.

Description of Assessment Area

First National's assessment area is Johnson County in the Kansas City MSA. Johnson County is located on the Kansas side of the Kansas City, MO-KS MSA and is one of the fastest growing counties in Kansas. It has 75 census tracts, which were designated 39% middle-income and 61% upper-income by the 1990 U.S. Census. The County had a population of 355,054. By income levels, families were designated as 8% low, 13% moderate, 22% middle, and 57% upper. Only three percent of the households were living below the poverty level. The HUD median family income for the Kansas City MSA was \$37,652. The median family income for Johnson County exceeded 120% of the MSA median income in 1990.

Data on the housing environment of the assessment area indicate an expanding housing base. The average home value in Johnson County was \$110,806 in 1995 according to the Johnson County Economic Research Institute. The economy is good and unemployment is low. Employment opportunities are diversified. The largest employers in Johnson County include the Sprint Corporation, J.C. Penney, the Shawnee Mission School District, and Black and Veatch, an engineering firm. Other large companies that employ over 1,000 individuals in the Kansas City MSA include Health Midwest and Hallmark Cards, Inc.

Based on two community contacts made by OCC examiners and one community contact provided by a Federal Reserve Bank of Kansas City examiner, indications are that credit needs are being met through the local financial institutions. Small business and affordable housing loans are the primary credit needs. They also indicated the demand for affordable housing exists, but has been minimal due in part to the demographics of the County.

Conclusions with Respect to Performance Criteria

Loan-to-Deposit Ratio

First National's average loan-to-deposit ratio is reasonable given its size and financial condition. In reviewing the bank's performance in the assessment area, we eliminated three banks which have facilities outside of the Kansas side of the MSA, since First National only has branches in Kansas. The bank's quarterly loan-to-deposit ratio has ranged from 56% to 65% since 1994.

By ranking according to loan-to-deposit ratios for June 30, 1997, First National's 57.2% was thirteen of the eighteen banks in the assessment area. Of these eighteen banks, the loan-to-deposit ratios ranged from a high of 88.25% to a low of 31.81%.

First National's major product line is commercial related lending. This is seen in the dollar volume of outstanding credit and originations. The bank reported 477 loans for \$51,502,000 for business purposes and 1,162 loans for \$11,456,000 for consumer and home improvement purposes for 1996 and the seven months of 1997. The following table provides comparative information on the dollar volume outstanding for First National and the eighteen banks in the bank's assessment area.

LOAN TYPES	BANK % **			CUSTOM PEER GROUP % **		
	6/30/97	'96	'95	6/30/97	'96	'95
Commercial Loans	50.90	51.32	50.23	29.62	29.50	30.36
Construction & Development	20.63	19.28	21.34	8.17	7.86	7.71
Commercial Real Estate	18.14	19.36	18.11	22.23	22.62	18.35
Consumer Loans	5.61	5.49	5.48	14.43	14.49	16.14
Residential & Home Improvement Loans	5.10	4.52	3.89	20.06	19.41	21.15

** Note: shown as a percentage of gross loans from June 30, 1997 Report of Condition.

Lending in the Assessment Area

First National makes a substantial majority of its loans within its assessment area. From our sample of 96 commercial borrowers and 68 consumer and home improvement loans since the last examination, we found an average of 82.9% of the originations in its assessment area. This is comparable to the data provided by bank management on all credit originations.

The distribution of the bank's lending activity shows:

	# ORIGINATIONS	# IN AA	# OUT AA	% IN AA
EXAMINATION DATA from 1996 and 1997 BY LOAN TYPE				
Commercial Sample	96	74	22	77.1%
Home Improvement Sample	68	62	6	91.2%
BANK DATA for ALL LOAN TYPES				
1995	1,491	1,271	220	85.2%
1996	1,462	1,277	185	87.3%
1997 through July	994	869	125	87.4%

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

First National's distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.

The combination of consumer and home improvement loan types represents approximately **10.7%** of First National's average gross loans as of June 30, 1997. From an overall sample of 1,162 loans for consumer purpose or the improvement or refinancing of a home loans in 1996 and seven months of 1997 in the bank's assessment area, we identified the following loan distributions:

Income Designation of Borrower	Consumer Loans originated in AA		Home Loans originated in AA		Combined Sample of Loans in AA		Income Designation of families in AA
	'96 / %	'97 / %	'96 / %	'97 / %	'96	'97	
Low Income	205 / 36%	139 / 31%	2 / 2%	10 / 19%	31.7%	29.3%	8.04%
Moderate Income	118 / 21%	100 / 22%	16 / 20%	9 / 17%	20.5%	21.5%	12.57%
Middle Income	101 / 18%	75 / 17%	28 / 35%	20 / 38%	19.7%	18.7%	21.99%
Upper Income	149 / 26%	131 / 29%	35 / 43%	24 / 45%	28.1%	30.5%	57.4%
Total	573	445	81	63	100%	100%	

Note: From HMDA and bank provided data.

First National's record of lending to businesses of different sizes is also reasonable. As previously noted, a major portion of the bank's loan portfolio is centered on commercial type credits. We selected a sample of credits from the new loan originations for 1996 and the first seven months of 1997 to determine if the bank is lending to business of different sizes. We obtained annual gross revenues from either loan file information or management's knowledge of the business. This sample from the examination showed the following loan distribution:

Gross Revenue Designation of Borrower	Revenue Distribution of a Sample of Commercial Loans originated within the Assessment Area				Demographics % of business in AA
	# sample	% of number	#adj sample*	% of number	
less than \$250,000	15	5.7%	48	18.1%	56.7%
\$250,000 - \$500,000	20	7.5%	68	25.7%	
\$500,000 - \$750,000	15	5.7%	42	15.8%	8.7%
\$750,000 - \$1,000,000	23	8.7%	19	7.2%	
more than \$1,000,000	192	72.5%	88	33.2%	13.5%

*adjusted sample - categorizes builders by gross margin instead of gross revenues.

In conjunction with the examination sample, management analyzed all commercial borrowers in the bank with loan originations in 1996 and 1997. The results of their review showed the bank had more borrowers in the gross revenue categories less than \$500,000. In 1996 and 1997, the bank's commercial loan originations categorized by gross revenue size were:

Gross Revenue Designation of Borrower	Revenue Distribution of all Commercial Borrowers with loans originated within the Assessment Area in 1996 and 1997				Demographics % of business in AA
	# borrowers	% of number	# adj borrowers*	% of number	
less than \$250,000	185	42.43%	207	47.48%	56.7%
\$250,000 - \$500,000	59	13.53%	72	16.51%	
\$500,000 - \$750,000	34	7.80%	33	7.57%	8.7%
\$750,000 - \$1,000,000	19	4.36%	22	5.05%	
more than \$1,000,000	139	31.88%	102	23.39%	13.5%

*adjusted borrowers - categorizes builders by gross margin instead of gross revenues.

Census data shows that 3,204 of the 15,174 businesses (21% of the population) in the assessment area did not report any sales volume data. The majority of the business units employ less than 50 employees.

The bank makes credit available to small businesses and low- and moderate-income persons by participating in government-sponsored programs and offering special programs. First National has always been a leader in the Small Business Administration program. Since 1995, the bank originated 126 loans under the Small Business Administration program for \$22,478,000. The bank also works with a variety of other guaranteed loan programs, such as student loans. As of June 30, 1997, there were 766 loans outstanding for a principal balance of \$1,766,058. While not actively pursuing residential real estate loans, the bank offers access to real estate credit through a bank officer accepting applications and making referrals to a variety of other mortgage institutions. The bank also offers flexible financing through a Special Purpose Loan program which focuses on a small dollar loans primarily to low or moderate income individuals. Since the last examination, the bank had as many as 16 loans outstanding for a total principal amount of \$16M. Highlights of these various specific loans programs show:

Loan Program	Number of loans	Principal Balance \$000's	% of Net Loans
SBA Loans - 12/31/96	233	\$29,336	21.1%
SBA Loans - 6/30/97	243	\$23,144	16.0%
CRA Special Purpose - 12/31/96	16	\$16	negligible
CRA Special Purpose - 6/30/97	8	\$12	negligible
Student Loans - 12/31/96	1,093	\$2,432	1.8%
Student Loans - 6/30/97	766	\$1,766	1.2%

In addition to the limited community development opportunities other than rehabilitation of homes in older neighborhoods and financing small businesses, the bank makes community development loans targeted for the service and benefit of low or moderate income persons. First National has extended credit and has an outstanding commitment for \$1,200,000 to a company to purchase a building to care for Alzheimer patients. The borrower is looking for a location to build in Johnson County. The bank also extended credit to a minority-attended church which also stabilizes the immediate geographic area.

Compliance with Antidiscrimination Laws and Regulations

First National is in compliance with the substantive provisions of antidiscrimination laws and regulations. We found no evidence of discrimination or disparate treatment in our review of the bank's lending practices.

Response to Complaints

The bank has received no complaints relating to its CRA performance.

Geographic Distribution of Loans

An analysis of the geographic distribution of loans would not be meaningful since all of the census tracts within First National's assessment area are designated middle or upper income.

Additional Information

Investments

The bank had a limited number of qualified investments or grants which meet the specific community development definition. These include:

- A longstanding investment in Kansas Venture Capital Stock which is directed towards providing economic development for smaller businesses in the state of Kansas.
- Salvation Army for the Johnson County Family Lodge - a nonprofit organization's effort to provide emergency and transitional housing for the homeless and near-homeless in Johnson County. The bank has provided financial support through a \$10,000 financial contribution and a bank employee works with the families (referred to the bank by the Salvation Army) on managing savings accounts. All service charges and minimum balance requirements are waived on these accounts.
- Health Partnership Clinic of Johnson County - a volunteer organization that provides acute health care services to low income Johnson County residents who have no health insurance. Bank has provided financial support through financial contributions of \$1,250 over the last two years.

Services

First National's branches are reasonably accessible to all portions of its defined assessment area. All branches offer Saturday banking hours. The bank offers traditional services from three of its four branches. Since all banking services are offered at the main location, the branch in downtown Olathe does not offer credit services due to its close proximity to the main bank office. The bank has chosen not to close any branches to date. Telephone banking and a Web site are also available.

Bank officers are very involved in the community. They actively participate on various committees designed to address the economic, credit, and civic needs of the community. In addition to the various diverse groups the bank supports through bank staff membership or leadership or financial contributions, the involvement with the following groups are specifically directed towards low- or moderate-income groups or individuals.

- Johnson County Housing Coalition, Inc. - a nonprofit community housing development organization whose mission is to increase affordable permanent housing in Johnson County. A bank officer serves as an advisory board member and the bank has approved a loan commitment to purchase an apartment complex for renovation.

- Olathe Home Improvement Partnership Program - a program to provide home improvement loans with affordable monthly payments to local homeowners who have incomes of less than 80 percent of the median income for the area. A bank officer was instrumental in working with the City to create and advertise the program.
- Bankers Capital Corporation - lending program under the format of a Small Business Investment Company. A bank director owns the company and serves in a senior officer capacity.
- Affordable Housing Program - A lending program which offers more liberal qualifying guidelines than a conventional mortgage loan. A bank officer is trained to conduct the pre-purchase Home Buyer Education program which includes counseling the borrower on the process of obtaining and maintaining a home.
- Safehome, Inc. - a nonprofit community program to provide shelter for victims of domestic violence in Johnson County. A bank officer serves as an officer on their board and has informed the group of the bank's special loan programs.