



## **PUBLIC DISCLOSURE**

August 3, 1998

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Hoisington National Bank  
Charter Number 12694**

**2nd and Main Street  
Hoisington, Kansas 67544**

**Office of the Comptroller of the Currency  
Kansas City North - Salina Office  
Post Office Box 616  
Salina, Kansas 67402-0616**

**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 Hoisington National Bank (HNB)** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 3, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

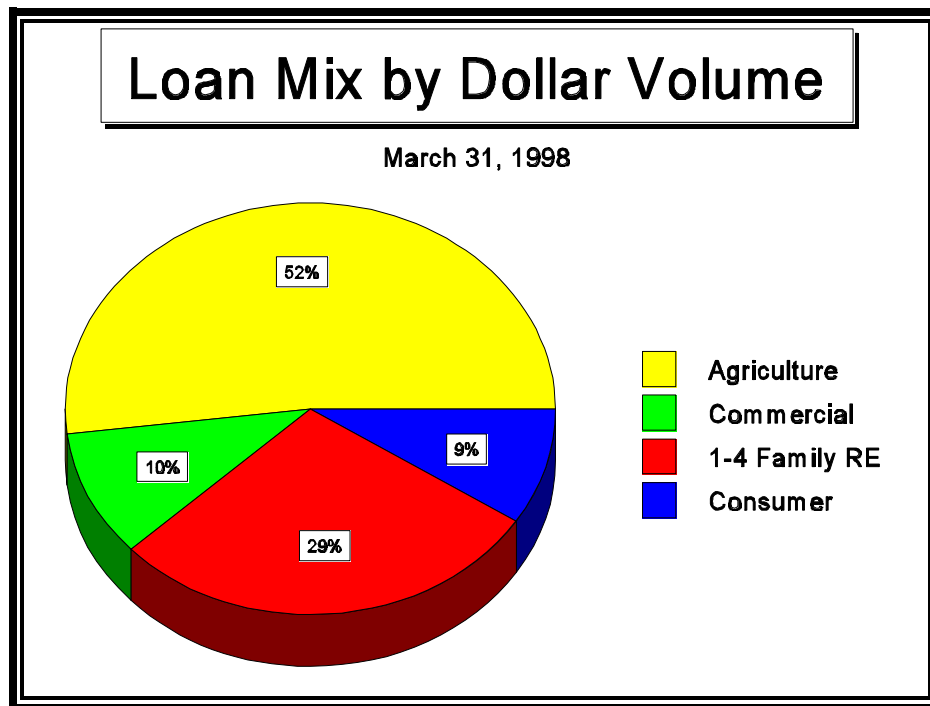
**INSTITUTION'S CRA RATING:** This institution is rated “**Satisfactory.**”

HNB's CRA rating is based on the following factors:

- The revenue distribution of the bank's borrowers is reasonable. The bank lends to farms and businesses of various revenue sizes. HNB has a good record of lending to low- and moderate-income consumer borrowers.
- The bank maintains a reasonable loan-to-deposit ratio. A majority of HNB's loan originations benefit borrowers within the assessment area.

***DESCRIPTION OF INSTITUTION***

HNB is a \$27 million institution that has one office based in Hoisington, Kansas. The bank is owned by a large number of individuals residing primarily in the local area. No legal constraints, financial conditions, or other factors inhibit the bank’s ability to help meet the credit needs of its assessment area. The institution received a rating of “Satisfactory Record of Meeting Community Credit Needs” at its last CRA examination dated August 25, 1995. Net loans total \$12.3 million as of March 31, 1998, and represent 46 percent of total assets. The bank’s primary credit products by dollar volume are loans for agricultural purposes. By number, the primary credit products are loans for various consumer purposes. Since the bank’s last CRA examination, loan volume has increased approximately \$2 million. The loan growth has primarily resulted from an increase in agricultural loan totals. The following table shows the bank’s loan portfolio composition as a percentage of average gross loans:



## ***DESCRIPTION OF ASSESSMENT AREA***

HNB has designated all of Barton County as its assessment area. This designation meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. Competition within the assessment area includes four banks chartered in Barton County, two regional banks with branch offices located in Barton County, a \$657 million institution chartered in Saline County with branches in HNB's assessment area, and offices of two different savings banks.

Total population of the assessment area based on 1990 U.S. Census information is 29,382. The assessment area is divided into eight block numbering areas (BNA), 9711 through 9718. HNB's main office is located in BNA 9713. Seven of the BNA's are designated as middle-income tracts based on their respective family income levels. BNA 9714 located in Great Bend is an upper-income area. Based on 1990 U.S. Census data, the median housing value for Barton County is \$38,852. The median year that houses were built in Barton county is 1955. Additional information regarding the bank's assessment area is included in the table on the following page.

The assessment area includes 8,234 families. Approximately 16 percent of the families are designated as low-income, 19 percent are moderate-income, 24 percent are middle-income, and 41 percent are upper-income. Income designations are based on median family income levels as a percentage of the 1998 non-metropolitan updated median family income figure of \$38,200. The median family income figure is estimated by the Department of Housing and Urban Development on an annual basis.

The primary credit needs of the assessment area are for agricultural purposes. Major agricultural products include wheat, alfalfa, milo, and livestock. Commercial lending activity, mainly in Great Bend, offers some diversification to area banks' loan portfolios. Major employers in the area include Fuller Brush Company, Essex Group, Inc., Great Bend Packing Company, Inc., Great Bend Industries, Barton County Community College, Wyr Creative Communications, CPI Qualified Plan Consultants, Specialty Machine and Manufacturing, Inc., and Roto-Mix, Inc. According to the Kansas Department of Human Resources, the January 1998 unemployment rate for Barton County was 3.6 percent.

We contacted one individual within the community to discuss local credit needs and the performance of financial institutions in the area. This individual was involved in a local business and labor group. We determined the primary credit needs of the area are for agricultural and manufacturing purposes. There is also loan demand for various consumer purposes and housing. Our contact identified no unmet credit needs in the assessment area.

*DESCRIPTION OF ASSESSMENT AREA (Continued)*

<b>1990 Demographic Information for Barton County</b>					
<b>Block Numbering Area (BNA)</b>	<b>Income Designation</b>	<b>Population of BNA</b>	<b>% of Owner-Occupied Housing</b>	<b>Median Housing Value</b>	<b>Median Family Income</b>
9711 (Ellinwood, Claflin)	Middle	4,520	68%	32,300	26,123
9712 (Pawnee Rock, Albert)	Middle	2,298	68%	27,200	26,976
9713 (Hoisington)	Middle	3,634	69%	30,200	27,361
9714 (Great Bend)	Middle	2,492	63%	33,000	29,547
9715 (Great Bend)	Upper	3,261	68%	57,000	40,878
9716 (Great Bend)	Middle	4,205	66%	47,300	31,833
9717 (Great Bend)	Middle	2,807	45%	26,400	25,332
9718 (Great Bend)	Middle	6,165	60%	48,800	28,632
<b>County Totals</b>		<b>29,832</b>	<b>64%</b>	<b>38,852</b>	<b>29,573</b>

## ***CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:***

### **Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels**

#### Agricultural Lending:

HNB has a reasonable record of lending to small farms within its assessment area. We reviewed the revenue distribution of 20 agricultural borrowers with loan originations between January 1, 1996 and March 31, 1998. For the period under review, these borrowers obtained 62 loan originations totaling \$1.4 million. Our agricultural sample represented 17 percent of the bank's agricultural customers and 4 percent of the total dollar volume of agricultural loans originated in the assessment area during this time period. Our sample size was small due to the nature of the bank's agricultural originations. A large portion of the originations were to feeder cattle operators. The bank does not typically require these customers to provide income information, so we were unable to perform a revenue distribution analysis on a large number of agricultural borrowers.

Based on our limited sample of agricultural borrowers, we determined that 80 percent of the farm customers in our sample had gross annual revenues of less than \$250 thousand. We compared the revenue distribution of HNB's agricultural customers to area demographic information obtained from the 1992 Agricultural Census which was conducted by the U.S. Bureau of the Census. HNB's proportion of small farm borrowers is reasonable in relation to local agricultural demographics. The table on the following page shows a more detailed analysis of the agricultural borrower revenue distribution:

**Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)**

<b>AGRICULTURAL BORROWER REVENUE DISTRIBUTION</b>				
<b>Sample of 20 Agricultural Borrowers With Loan Originations Between 1/1/96 and 3/31/98</b>				
	<b>Distribution of HNB's Agricultural Borrowers</b>		<b>Distribution of Farms in Barton County</b>	
<b>Revenue Category</b>	<b>Number of Borrowers</b>	<b>Percentage</b>	<b>Number of Farms</b>	<b>Percentage</b>
<b>\$0 - \$99,999</b>	9	45%	668	87%
<b>\$100,000 - \$249,999</b>	8	40%	73	9%
<b>\$250,000 - \$499,999</b>	3	15%	17	2%
<b>\$500,000 and Over</b>	0	0%	12	2%
<b>TOTALS</b>	<b>20</b>	<b>100%</b>	<b>770</b>	<b>100%</b>

Small Business Lending:

HNB has an adequate record of lending to businesses of varying revenue levels within the assessment area. We reviewed the revenue distribution of 8 commercial borrowers with loan originations between January 1, 1996 and March 31, 1998. These borrowers obtained 23 loans totaling \$280 thousand. Our commercial sample represented 38 percent of the bank's business customers and 7 percent of the total dollar volume of commercial loans originated in the assessment area during this time period. We determined that 75 percent of these borrowers had gross annual revenues of less than \$250 thousand. All of the borrowers in our sample had gross annual revenues of less than \$500 thousand. This compares favorably to business demographic information for Barton County provided by Dun & Bradstreet in 1996. This information was compiled from 1,317 businesses and 83 farms in Barton County. There were 246 entities that did not report sales information. Of the 1,154 entities that reported sales information, 86 percent had gross annual revenues of less than \$500 thousand. The information from Dun & Bradstreet combined businesses and farms in its analysis. Information on businesses alone was not available. Also, a more detailed breakdown of revenues was not available. The following table shows our analysis of the revenue distribution of commercial borrowers:

**Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)**

<b>COMMERCIAL BORROWER REVENUE DISTRIBUTION</b>				
<b>Sample of 8 Business Customers With Loan Originations Between 1/1/96 and 3/31/98</b>				
	<b>Distribution of HNB's Commercial Borrowers</b>		<b>Distribution of Businesses and Farms in Barton County as Provided by Dun &amp; Bradstreet</b>	
<b>Revenue Category</b>	<b>Number of Borrowers</b>	<b>Percentage</b>	<b>Number of Entities</b>	<b>Percentage</b>
<b>\$0 - \$100,000</b>	2	25%	NA	NA
<b>\$100,001 - \$250,000</b>	4	50%	NA	NA
<b>\$250,001 - \$500,000</b>	2	25%	NA	NA
<b>SubTotal of Revenues \$0 - \$500,000</b>	8	100%	990	86%
<b>Over \$500,000</b>	0	0%	164	14%
<b>TOTALS</b>	<b>17</b>	<b>100%</b>	<b>1,154</b>	<b>100%</b>

Our sample size for commercial borrowers was small because revenue information was not readily available in many of the files we reviewed. Due to the limited sample size, we also performed an analysis of commercial loans by origination amount. We reviewed the loan size of 48 commercial loans originated between January 1, 1996 and March 31, 1998. This sample represented 100 percent of commercial loans originated in the assessment area during the period under review. Assuming loan size is an indicator of business size, the bank has a good record of lending to small businesses within its assessment area. Approximately 90 percent of the loan originations we reviewed were for amounts of \$30 thousand or less. The table on the following page shows a more detailed breakdown of our analysis of commercial loan size:



**Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)**

<b>COMMERCIAL LOAN SIZE DISTRIBUTION</b>				
<b>Sample of 48 Commercial Loans Originated in the Assessment Area Between 1/1/96 and 3/31/98</b>				
<b>Loan Size Category</b>	<b>Number of Originations</b>	<b>Percentage of Total Number</b>	<b>Dollar Volume of Loans</b>	<b>Percentage of Total \$ Volume</b>
<b>\$0 - \$5,000</b>	14	29%	\$43,184	1%
<b>\$5,001 - \$10,000</b>	10	21%	\$81,854	2%
<b>\$10,001 - \$15,000</b>	4	8%	\$56,639	1%
<b>\$15,001 - \$20,000</b>	6	12%	\$112,402	3%
<b>\$20,001 - \$25,000</b>	5	11%	\$108,972	2%
<b>\$25,001 - \$30,000</b>	4	8%	\$116,127	3%
<b>Over \$30,000</b>	5	11%	\$3,752,600	88%
<b>TOTALS</b>	<b>48</b>	<b>100%</b>	<b>\$4,271,778</b>	<b>100%</b>

Consumer Lending:

The bank's record of lending to low- and moderate-income families and individuals is good. We reviewed the family income distribution of 53 consumer borrowers in the assessment area with loan originations between January 1, 1996 and March 31, 1998. This sample represented 20 percent, by number, and 31 percent, by dollar volume, of consumer originations in the assessment area during this time period. We determined the bank's record of lending to low- and moderate-income borrowers is good in comparison to the percentage of low- and moderate-income families in the assessment area. The table on the following page shows the breakdown of borrower income levels for the 53 consumer borrowers in our sample:

**Lending to Farms and Businesses of Different Revenue Sizes and Borrowers of Different Income Levels (Continued)**

<b>Individual Income Distribution</b>				
<b>Sample of 53 Consumer Borrowers With Loan Originations</b>				
<b>Between 1/1/96 and 3/31/98</b>				
<b>Income Designation</b>	<b>Distribution of Borrowers in Sample of HNB's Consumer Customers</b>		<b>Distribution of Families in Barton County</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	11	21%	1,351	16%
<b>Moderate</b>	17	32%	1,596	19%
<b>Middle</b>	10	19%	1,959	24%
<b>Upper</b>	15	28%	3,328	41%
<b>Total</b>	<b>53</b>	<b>100%</b>	<b>8,234</b>	<b>100%</b>

**Geographic Distribution of Loans**

We did not perform an analysis of the geographic distribution of loans. This analysis is performed if one or more of the block numbering areas in the bank's assessment area is designated as a low- or moderate-income geography. There are no low- or moderate-income block numbering areas in HNB's assessment area.

**Loan-to-Deposit Ratio (LTD)**

The bank's LTD ratio is reasonable. We compared HNB's quarterly average LTD ratio to nine other financial institutions operating in Barton, Russell, Ellsworth, Rush, and Pawnee counties. Each of the banks in our comparison had total assets of less than \$60 million and no branches in metropolitan areas. HNB's quarterly average LTD ratio for the past eight quarters was 55 percent. The overall quarterly average LTD ratio for the ten banks in our comparison was 53 percent. Quarterly average LTD ratios ranged from 26 percent to 69 percent. HNB's quarterly average LTD ratio ranked sixth among the ten banks we reviewed. Over the past eight quarters, HNB's net loans have increased 20 percent. This was the third largest increase among the institutions we reviewed.

## Lending in the Assessment Area

A majority of the bank's loan originations are extended to borrowers living within the assessment area. Bank personnel generated reports during the examination which showed agricultural, commercial, residential real estate, and consumer loans originated between January 1, 1996 and March 31, 1998. Through discussions with management, we determined which of these borrowers used loan proceeds within the bank's assessment area. During the period under review, HNB originated 282 agricultural loans totaling \$37.8 million, 59 commercial loans totaling \$4.5 million, 87 residential real estate loans totaling \$2.3 million, and 544 consumer loans totaling \$2.2 million. We determined approximately 89 percent of these loan originations, by number, and 90 percent, by dollar volume, were to borrowers using loan proceeds within the assessment area. The table below details our analysis of the bank's record of lending in the assessment area:

<b>ASSESSMENT AREA (A.A.) ANALYSIS</b> <b>(Based on 282 Agricultural, 59 Commercial, 87 Residential</b> <b>Real Estate, and 544 Consumer Loans Originated</b> <b>Between 1/1/96 and 3/31/98)</b>				
Type of Loan	# of Loans in A.A.	% of Loans in A.A. (By #)	\$ Volume of Loans in A.A. (In Thousands)	% of Loans in A.A. (By \$)
<b>Agricultural</b>	252	89%	\$33,891	90%
<b>Commercial</b>	48	81%	\$4,272	96%
<b>Residential Real Estate</b>	80	92%	\$2,105	90%
<b>Consumer</b>	486	89%	\$1,887	86%
<b>Total Loans in A.A.</b>	<b>866</b>	<b>89%</b>	<b>\$42,155</b>	<b>90%</b>

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

HNB has a satisfactory record of compliance with antidiscrimination laws and regulations. During our consumer compliance examination, we found no substantive violations of fair lending laws and no evidence of discriminatory practices.

## **Response to Complaints**

HNB has not received any written complaints regarding its CRA performance since the previous examination dated August 25, 1995.