



## **PUBLIC DISCLOSURE**

**February 22, 1999**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Girard  
Charter Number 3216**

**203 South Summit  
Girard, KS 66743**

**Comptroller of the Currency  
Midwestern District  
Joplin Field Office  
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 Girard by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of February 22, 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."

The First National Bank of Girard continues to meet the credit needs of its community.

- < Loans are reasonably distributed to borrowers of various income levels.
- < The geographic distribution of the bank's loans in its assessment area is reasonable.
- < A majority of the bank's loans are made within its assessment area.
- < The bank's loan-to-deposit ratio is reasonable, and remains within the range of similarly situation community banks within the assessment area.

## **DESCRIPTION OF INSTITUTION**

The First National Bank of Girard (FNB) is a \$56 million bank located in Girard, Kansas. The bank has a small number of stockholders and is controlled by Mid-America Bancshares, Inc., a one bank holding company located in Girard, Kansas. FNB has one office location in Girard and one Automated Teller Machine located at the bank. FNB was rated Satisfactory at the last CRA examination dated August 15, 1995. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

The bank's lending strategy focuses on agricultural, 1-4 family residential, and commercial loans. The loan portfolio represents 57% of total assets, distributed as follows: agricultural (36%), 1-4 family residential (24%), and commercial (19%). The total number of loans is distributed as follows: agricultural (23%), 1-4 family residential (15%), and commercial (12%).

## **DESCRIPTION OF FIRST NATIONAL BANK'S ASSESSMENT AREA**

FNB's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low- and moderate-income neighborhoods. FNB's assessment area includes all of Crawford County. According to 1990 census data, Crawford County consists of three moderate-income Block Numbering Areas (BNA), seven middle-income BNAs and one upper-income BNA. There are no low-income BNAs in Crawford County. FNB is one of ten banks in the assessment area. There are also six branch banks in the assessment area.

Agriculture and related businesses dominate the economy of the area. Other major employers in the area include educational and medical facilities. The bank identified the primary credit needs of the area as agricultural and housing loans. Members of the community contacted by examiners verified these needs.

The U.S. Census 1990 median family income for the assessment area is \$28,068. The Housing and Urban Development (HUD) updated U.S. Census 1990 median family income for the assessment area is \$38,200. The bank's assessment area population of 35,568 contains 22% low-income families, 19% moderate-income families, 24% middle-income families and 35% upper-income families. The income of 21% of the households in the AA is below the poverty level. The median housing value is \$31,080 and 60% of the housing units are owner occupied.

Examiners spoke with two community contacts in the bank's AA. The contacts included a government agency and a business person. The contacts indicated that they were not aware of any unmet community credit needs.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

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

FNB has reasonable lending penetration among borrowers of different income levels. The bank's primary product lines are agricultural and 1-4 family residential real estate loans. We based our conclusion on a review of a sample of loans to refinance and to purchase residential real estate on the bank's Home Loan Activity Report for 1996, 1997, and 1998. We also reviewed income levels on 20 of the bank's agricultural borrowers.

The bank originated 148 residential real estate loans from January 1, 1996 to December 31, 1998. Fifty-nine percent of the originations were to refinance residential real estate and 41% were to purchase or construct residential real estate. Examiners reviewed family income levels on 40 residential real estate loans, (20 refinance and 20 purchase). The following table illustrates our findings:

<b>Loan distribution by family income</b>				
<b>Income Level</b>	Low-Income	Moderate-Income	Middle-Income	Upper-Income
<b>% of Families</b>	22%	19%	24%	35%
<b>% of Residential Real Estate Loans (purchase)</b>	30%	35%	15%	20%
<b>% of Residential Real Estate Loans (refinance)</b>	15%	25%	40%	20%

FNB makes agricultural loans to farms of different sizes. Ninety percent of the agricultural loans originated since the last CRA examination were to small farms. Small farms are defined as farms with gross annual revenues less than \$1 million. We based our conclusion on a review of 20 agricultural loan borrowers with notes originated since the last examination. Bank reports show agricultural notes totaling approximately \$11 million as of December 31, 1998. The bank does not track the number of agricultural borrowers.

The following table illustrates our findings on the agricultural loan sample:

<b>Agricultural Loans by Farm Gross Income</b>				
<b>Gross Revenue of Farm</b>	<b>Under \$100M</b>	<b>\$100M to \$499M</b>	<b>\$500M to \$1MM</b>	<b>Over \$1MM</b>
<b>% of Agricultural Borrowers</b>	35%	40%	15%	10%

### *Geographic Distribution of Loans*

The geographic distribution of the bank's loans in its assessment area is reasonable. The bank originated 148 residential real estate loans since the last CRA examination. The bank does not track originations by dollar amount. In part, we based our conclusion on our review of a sample of residential real estate on the bank's Home Loan Activity Report for 1996, 1997, and 1998. The sample included 20 loans to refinance and 20 loans to purchase residential real estate. Moderate-income BNAs comprise 27%, middle-income BNAs 64% and upper-income BNAs 9% of the total BNAs in the AA. From the sample, examiners determined the bank originated 3% of residential real estate loans in moderate-income BNAs, 90% in middle-income BNAs and 5% in upper-income BNAs. Two percent were originated outside the AA.

The bank's lending in moderate-income tracts is reasonable. The bank's performance in the moderate-income tracts is impacted by:

- ! The bank's assessment area also includes the city of Pittsburg, Kansas. Girard and Pittsburg have different population and economic characteristics. FNB is located in Girard, a town of approximately 2,800, with an economy dominated by agriculture and related industries. Pittsburg has a population of approximately 18,500 with an economy dominated by educational and medical facilities, manufacturing and service industries.
- ! All moderate income tracts are located in and adjacent to the city of Pittsburg.
- ! The six banks located in Pittsburg strongly compete for residential lending opportunities in that market.
- ! The presence of Pittsburg State University reduces the demand for owner occupied housing in Pittsburg.
- ! FNB does not have a visible presence in the city of Pittsburg, since it has neither a branch or an ATM in Pittsburg.

### ***Lending in Assessment Area***

FNB originates a majority of its loans within the assessment area. We based this conclusion on our review of examiner verified bank reports. The reports showed that 83% of the bank's loans were made within its assessment area.

### ***Loan-to-Deposit Ratio***

The bank's loan-to-deposit ratio is reasonable. FNB had an average quarterly loan-to-deposit ratio of 62% since the last CRA examination dated August 15, 1995. During these thirteen quarters the loan-to-deposit ratio has ranged from a low of 55% at December 31, 1996 to a high of 71% at March 31, 1998. The average quarterly loan-to-deposit ratio of six other similarly situated community banks that also serve the assessment area ranged from 40% to 68% for the same period.

### ***Responses to Complaints***

FNB has not received any complaints during this evaluation period.

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

FNB is in compliance with the applicable antidiscrimination laws and regulations. No violations were disclosed or revealed at this examination.