

June 28, 1999

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank of Harveyville  
Charter Number 11822**

**197 Main, P.O. Box 6  
Harveyville, Kansas 66431**

**Office of the Comptroller of the Currency  
Kansas City South Field Office  
6700 Antioch, 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 Community Reinvestment Act (CRA) performance of First National Bank of Harveyville (FNB) prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of June 28, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 C.F.R. Part 25.

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

- , FNB does a very good job lending to farms of different sizes.
- , Lending to borrowers of different income levels is reasonable.
- , Lending volumes are reasonable.
- , A majority of loans are within the bank's assessment area.

## DESCRIPTION OF INSTITUTION

FNB is a \$9.5 million institution owned by Mohler Bancshares, Inc., a one-bank holding company with total assets of \$1.1 million. The main office of both the bank and holding company is located in Harveyville, Kansas. There are no bank branches or ATM's.

The bank offers a full range of traditional banking services. As of March 31, 1999, the dollar volume of FNB's loan portfolio consists of real estate loans (54%), agricultural loans (27%), commercial loans (10%), and loans to individuals (9%). One-to-four family residential loans are 84% of the real estate loan category. Net loans are 49% of total assets.

Our conclusions are based on a review of FNB's CRA efforts from April 1, 1996 through June 28, 1999. The following table details the number of loan originations by loan type from April 1, 1996 to May 31, 1999:

LOAN TYPE	#	%
Consumer	140	44%
Real Estate	72	22%
Agriculture	65	20%
Commercial	44	14%
TOTAL	321	100%

Bank was not able to generate information on the dollar amount of loans originated within this time frame.

Based on the above information, major product lines are real estate, agriculture, and consumer loans. The volume of commercial loans is not significant based on the dollar volume of loans outstanding or the number of loans originated during our evaluation period.

There are no legal or financial impediments which hamper FNB's ability to help meet the credit needs in its assessment area. FNB was rated "Satisfactory record of meeting community credit needs" at its last CRA examination in May 1996.

## DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area (AA) consists of the following three Block Numbering Areas (BNAs) in Kansas:

BNA	County	Income Designation
9832	Wabaunsee	Middle
102	Osage	Middle
6	Lyon	Middle

Demographic information on FNB's AA is detailed in the following table:

Updated 1999 HUD non-MSA statewide median family income	*Percent of families by income level	*Population	*Median Housing Value	*Percent of owner-occupied housing
\$38,700	Low-income = 13.16% Moderate-income = 16.69% Middle-income = 27.93% Upper-income = 42.22%	8,047	\$30,440	72%

HUD - U.S. Department of Housing and Urban Development

\*Data Source - 1990 U.S. Census

The AA meets all regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies. The BNAs are not located in a metropolitan statistical area.

Retail trade, services, and manufacturing industries are the primary business establishments within the bank's AA. Unemployment is low. The agriculture economy is somewhat depressed with declining hog and cattle prices. Other portions of the economy are stable.

The bank's primary competitors include five financial institutions located in the AA. The asset size of these banks ranges from \$4 million to \$23 million.

We made one community contact during the examination with a local real estate and insurance agent. We also used a community contact made within the last year by the OCC to assess community credit needs.

This contact was with an economic development organization in the bank's AA. Contacts stated banks are very active in the community. Primary credit needs are for agriculture, residential, and consumer loans. Contacts were not aware of any community development programs in the AA.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

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

FNB's lending to borrowers of different income levels is reasonable. Management does a very good job lending to farms of different sizes. Primary product lines are real estate, agriculture, and consumer loans which are also primary credit needs in FNB's AA. Our conclusions are based on a sample of 24 residential real estate loans, 20 consumer loans, and 22 agriculture loans originated in the bank's AA since the last CRA examination.

The following table summarizes the bank's performance regarding residential real estate and consumer loans compared to the percentage of families in the bank's AA.

#### Residential Real Estate and Consumer Loans:

Income Level	Residential Real Estate Loans with Income Reported		Consumer Loans with Income Reported		% of families in AA
	#	%	#	%	
Low-income	4	25.00%	2	16.67%	13.16%
Moderate-income	3	18.75%	1	8.33%	16.69%
Middle-income	2	12.50%	5	41.67%	27.93%
Upper-income	7	43.75%	4	33.33%	42.22%

Based on our sample of residential real estate loans with reported income, the volume of loans to low- and moderate-income persons is above demographics. However, eight, or 33.33%, of the loans did not report income. If this is included in the above numbers, the volume of loans to low- and moderate-income persons is 16.67% and 12.50%, respectively.

Based on our sample of consumer loans with reported income, the volume of loans to low-income persons is above demographics. The volume of lending to moderate-income persons may be a concern. However, it is somewhat mitigated by the significant volume of loans in our sample lacking income information. Eight, or 40%, of the loans did not report income. If these loans are included in the above numbers, the volume of loans to low- and moderate-income persons is 10.00% and 5.00%, respectively.

The following table summarizes our findings regarding agriculture loans compared to the percentage of farms in the bank's AA.

Farm Revenue	Agriculture Loans		% of farms in AA
	#	%	
Sales <= \$1 million	17	77.27%	93.33%
Sales > \$1 million	0	0	0
Revenue not reported	5	22.73%	6.67%

FNB's farm loans to borrowers with Sales < \$1 million are further segregated as follows:

C	under \$50 thousand	70.59%
C	\$50 - 100 thousand	11.76%
C	\$100 - 250 thousand	17.65%

Management does not always collect income information because of long credit histories with certain customers. We reviewed 44% of real estate loans, 33% of consumer loans, and 40% of agriculture loans originated since the last CRA examination. Approximately, 31% of real estate loans, 47% of consumer loans, and 27% of agriculture loans in our sample did not have income data.

### ***Loan-to-Deposit Analysis***

Lending volumes are reasonable. We calculated the bank's quarterly average loan to deposit ratio since June 30, 1996. We compared this ratio with five other competitor banks in the AA. The following table summarizes our findings:

Bank	Average Loan to Deposit Ratio
Reading State Bank, Reading, KS.	32.28%
<b>The First National Bank of Harveyville, Harveyville, KS.</b>	<b>57.99%</b>
The Stockgrowers State Bank, Maple Hill, KS.	61.04%
The First State Bank of Burlingame, Burlingame, KS.	68.41%
The Kansas State Bank, Overbrook, KS.	68.73%
Flint Hills Bank of Eskridge, Eskridge, KS.	69.92%

The national peer average, which uses similar sized banks from across the country, is 57.16%. Based on asset size, FNB is the second smallest bank in the above table at \$9 million. The third smallest bank has

total assets of \$19 million which is double the size of FNB.

### ***Comparison of Credit Extended Inside and Outside of the Assessment Area***

A majority of loans are within FNB's AA. Primary product lines are real estate, agriculture, and consumer loans. Our conclusions are based on a sample of 32 residential real estate loans, 34 consumer loans, and 26 agriculture loans originated since the last CRA examination. The following table summarizes our findings based on the number and dollar amount of loans sampled.

	<b>Residential Real Estate Loans</b>		<b>Consumer Loans</b>		<b>Agriculture Loans</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
In the AA	71.87%	62.38%	58.82%	61.08%	84.62%	72.37%	70.65%	67.64%
Out of the AA	28.13%	37.62%	41.18%	38.92%	15.38%	27.63%	29.35%	32.36%

### ***Geographic Distribution of Loans***

A geographic distribution analysis for this assessment area is not meaningful, as all census tracts within the assessment area are designated as middle-income.

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

The scope of our fair lending review included a sample of ten diverse loan applications. Our sample included four consumer loans, two commercial loans, two real estate loans, and two agriculture loans.

Based on the results of this examination, we did not find any evidence of disparate treatment or discrimination. The bank is in substantial compliance with all provisions of the anti-discrimination laws and regulations.

### ***Response to Complaints***

FNB has not received any complaints regarding its CRA performance.

### ***Additional Information***

In April 1999, FNB was the only bidder of the local Fire District bonds. Factors such as the total size of the issue and small denomination of blocks over a ten year period contributed to the lack of interest.



Through this effort, FNB helped serve a critical need in its community.