

PUBLIC DISCLOSURE

August 2, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Coldwater National Bank
Charter Number 6767**

**145 East Main
Coldwater, Kansas 67029**

**Office of the Comptroller of the Currency
South Kansas Field Office
3450 North Rock Road, Suite 505
Wichita, Kansas 67226**

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 Coldwater National Bank**, Kansas, prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of August 2, 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.**”

- C The bank’s lending levels meet the standards for satisfactory CRA performance. The institution’s loan-to-deposit ratio is low, but results from the county’s declining and aging population trend.
- C All loans granted from December 31, 1996 to August 2, 1999, indicated 95% of the number and 96% of the dollar are within the bank’s assessment area.
- C The bank has a excellent record of lending to businesses of different sizes and borrowers of different income levels.

DESCRIPTION OF INSTITUTION

The Coldwater National Bank (CNB) is an \$11 million bank located in Comanche County, Kansas. The bank does not have any branch locations or automated teller machines. CNB is a full service bank and offers a variety of loan products with an emphasis on agricultural loans. The bank is not owned by a holding company, but it is affiliated with the Wilmore State Bank, Wilmore, Kansas. As of March 31, 1999, agricultural and farm real estate loans accounted for 62% of the bank's \$3 million loan portfolio. Consumer loans represented 18% of the loan portfolio, residential real estate 13%, and commercial 7%, as shown below. Net loans represent 24% of total assets.

Loan Distribution by Type			
Loan Type	Dollar Amount 3/31/99	Percentage of Loan Portfolio 3/31/99	Percentage of Loan Portfolio 3/31/96
Agriculture	\$1,834,000	62%	62%
Consumer	\$532,000	18%	17%
Residential	\$384,000	13%	13%
Commercial	\$207,000	7%	8%
Gross Loans	\$2,957,000	100%	100%

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the community credit needs. The prior public evaluation, March 31, 1996, rated the bank Satisfactory.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's Assessment Area (AA) is Comanche County, Kansas. The AA is located in south central Kansas along the Oklahoma border and has an estimated population of 2,021. The county's population has declined approximately 13% from 1990 Census Bureau figures. Demographic data indicates 26% of the county's population is over 65 years of age and 40% of the population receives social security benefits. United States Department of Agriculture census data reflects a 5% reduction in the number of full time farms from 1992 to 1997. Coldwater, population 900, is the county seat of Comanche County and is not in a Metropolitan Statistical Area (MSA). Financial institutions located in the AA include four full-service banks and one loan production office.

Comanche County contains only block numbering area 9676, a middle income tract. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income tracts. Of all the households in the AA, 21% are low income, 24% are moderate income, 24% are middle income, and 31% are upper income. The non-MSA statewide median family income \$38,200.

Agriculture dominates the local economy. Small retail businesses and light industry provide limited diversification. In addition, local county and city government, the public school system, and medical/nursing care center provide employment opportunities. Unemployment for the area is low.

Examiners interviewed two community contacts in the service industry. The contacts indicated the local economy is dominated by the agricultural sector. In addition, the local economy has suffered from recent low commodities prices. The contacts stated local financial institutions understand community credit needs and have developed new programs to meet the changing needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's lending levels are satisfactory with a quarterly average loan-to-deposit ratio of 31% since December 31, 1996. CNB's loan-to-deposit ratio has ranged from 28% to 33% over this same time period. Comparable institutions located in the AA had an average loan-to-deposit ratio of 54%. Loan-to-deposit ratio averages for these banks range from 18% to 79% over the last ten quarters. As of March 31, 1999, CNB has a loan-to-deposit ratio of 32% while the competitors located in Comanche County and having the same AA as CNB have loan-to-deposit ratios of 14%, 64%, and 84%. Management feels opportunities for lending have decreased and the bank continues to meet the credit needs of the community. The county's declining population and age demographics support management's conviction regarding the declining loan demand.

Lending in the Assessment Area

The bank extends a virtually all of its loans within the AA. Examiners reviewed all loans originated from December 31, 1996, through August 2, 1999 and selected a sample to verify the bank's data. The following table depicts the new loan distribution by number and dollar amount.

Percentage of Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
95%	96%

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

CNB has an excellent record of lending to small farms and consumers of varying income levels within the AA. The bank does not regularly collect income information on small farm, small business, and consumer credits. Because of the limited income information available for these customers, examiners performed an analysis of consumer and agricultural loans by origination amount. Examiners reviewed a random sample of consumer and agricultural originations between December 31, 1996 and August 2, 1999. Assuming loan size is an indicator of customer revenue size, the bank has a good record of lending to small farms and consumers within its AA. Approximately 80% of the farm originations and 90% of the consumer originations were for loan amounts of \$20 thousand or less. Additionally, 100% of the consumer originations were to borrowers of low and moderate income levels. The following tables show a more detailed breakdown of the analysis by loan size:

Distribution of Consumer (Auto) Loans within AA by Income Levels			
Income Levels	Number of Customers	Percent of Loan Sample	Percent of Families
Low	17	85%	18%
Moderate	3	15%	18%
Middle	0	0%	26%
Upper	0	0%	38%
Total	20	100%	100%

Small farms and small businesses are defined as gross revenues less than \$500 thousand and \$1 million, respectively. Examiners reviewed a sample of Agricultural loans with the results shown below:

Distribution of Agricultural Loans within AA by Gross Annual Revenue		
Gross Annual Revenue	Number of Customers	Percentage of Sample
\$0 to \$5,000	9	45%
\$5,001 to \$20,000	7	35%
\$20,001 to \$50,000	3	15%
above \$50,000	1	5%
Total	20	100%

Internal bank reports indicate that the average size of small farm and small business loans is \$30 thousand and \$11 thousand, respectively.

Geographic Distribution of Loans

An analysis of the distribution of credit within the AA would not be meaningful as it includes only a middle-income tract.

Record of Compliance with Antidiscrimination Laws and Regulations

Based on our review, the bank is in substantial compliance with all provisions of antidiscrimination laws and regulations. Examiners did not find any evidence of disparate treatment.

Response to Complaints

The bank has not received any complaints since the prior examination.