



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**July 31, 2003**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Twin Lakes National Bank  
Charter Number 22766**

**2150 Woodrow  
Wichita, KS 67203**

**Comptroller of the Currency  
Assistant Deputy Comptroller C. Scott Schainost  
3450 North Rock Road Suite 505  
Wichita, KS 67226**

**NOTE: This document is an evaluation of this 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. 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.**

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

Twin Lakes National Bank (TLNB or "the bank") is a \$140 million financial institution located in Wichita, Kansas. The bank has one branch, also in Wichita, and operates three automated teller machines (ATMs). The main bank has a walk-up ATM and a drive-up ATM. The branch has only a drive-up ATM. All ATMs dispense cash and accept deposits. TLNB is a wholly owned subsidiary of Republic Financial Corporation, a two-bank holding company located in Wichita. On December 31, 2002, the holding company had total assets of \$275 million. There are no significant subsidiaries of the holding company. There have been no changes to the bank's corporate structure.

## **DESCRIPTION OF THE INSTITUTION**

TLNB is a full service bank providing a variety of loan products with an emphasis on consumer purpose loans. On March 31, 2003, net loans represented 85% of total assets. The bank's \$122 million loan portfolio has the following composition: 84% consumer, 11% commercial, and 5% residential real estate loans. The bank has not changed any existing loan products or offered any new products since the previous CRA examination. Examiners determined the primary lending products were direct and indirect consumer automobile loans.

The bank's financial condition, size, and local economic conditions allow it to help meet the credit needs of its assessment area. Examiners assigned a "Satisfactory" rating at the May 3, 1999, CRA examination.

The assessment area (AA) consists of the Wichita, KS MSA #9040. The Wichita MSA includes Sedgwick, Butler, and Harvey Counties in south central Kansas with a 1990 population of 485,270. The AA meets the requirements of the regulation. The AA has 118 census tracts. They are comprised as follows: 10 tracts or 8% low-, 25 tracts or 21% moderate-, 64 tracts or 54% middle-, and 19 tracts or 16% upper-income per the 1990 U.S. Census. In the AA, 18% of families are low-income, 18% are moderate-income, 26% are middle-income and 38% are upper-income. Twelve percent of the AA's population is over the age of 65 and 10% of the households in the AA have incomes below the poverty level. The weighted average of MSA updated median family income for 2002 is \$59,000.

TLNB has two facilities and three ATMs in the AA. Within Sedgwick County there are 36 other FDIC insured financial institutions with 155 offices. The bank ranks ninth in the market for deposits at 2.05% of market share. TLNB's primary competitors are INTRUST Bank, N.A., Emprise Bank, Prairie State Bank, Chisholm Trail State Bank, and local employee and aircraft credit unions. The bank's primary business focus is consumer lending for automobiles. The area's economy is depressed. The city of Wichita is known as the "Air Capital of the World" and houses several general aviation manufacturers (Boeing, Raytheon, Cessna, and Bombardier/Learjet). Aircraft manufacturing employment is the largest industry in the MSA and employs approximately 36,000 people. Boeing is the largest local employer in the AA with over 13,000 employees. The sharp downturn in air travel has led to a rapid deceleration in aircraft production and is yielding thousands of layoffs. The Wichita MSA unemployment rate has risen from 5.9% as of February 2003, to 7.6% as of June 2003.

During this evaluation, we contacted one local organization that provides services to low- and moderate-income individuals. This individual indicated consumer loans to individuals residing in low- and moderate-income tracts, and loans to small businesses were the primary credit needs in the Wichita MSA. The contact stated that local financial institutions are fulfilling these needs to the extent possible, given the current economic environment.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

TLNB's level of lending is satisfactory. The bank's quarterly average loan-to-deposit ratio (LTD) since the last examination and ending March 31, 2003, is 86%. Examiners compared this ratio to that of similarly situated banks in the AA. For peer banks, examiners analyzed the ratios over the same time period for a group of thirteen banks. The quarterly average ratio for this group is 82%. The quarterly average ratios for the banks within the peer group range from 58% to 105%.

TLNB's lending in its AA is satisfactory as it extends the majority (75% of the number and 71% of the dollar) of its primary product loans in the AA. Examiners utilized a sample of 20 direct auto loans and 20 indirect (dealer) auto loans, originated from 2000 through 2002, to assess the bank's performance in this area. These loan products were selected because they represent the primary lending products of the bank.

Examiners utilized the sample depicted in the above paragraph to assess the bank's performance in Lending to Borrowers of Different Incomes and to Businesses of Different Sizes. The bank's level of lending to consumers for direct auto loans is excellent. Lending to low-income borrowers is excellent at 40% of the sample, compared to demographic data showing 22% low-income households in the AA. Lending to moderate-income borrowers representing 30% of the sample is above the demographic data showing 17% moderate-income households, and represents good performance. The bank's level of lending to consumers for indirect (dealer) auto loans is adequate. Lending to low-income borrowers is fair with 15% of the sample compared to demographic data showing 22% low-income households. Lending to moderate-income borrowers is satisfactory at 20% of the sample compared to demographics of 17%. While the bank's lending level to low-income borrowers is moderately below demographics, the bank does not have direct control of originations of the auto paper from various dealers.

An analysis of the geographic distribution of loans within the AA indicates the bank has satisfactory penetration in low- and moderate-income tracts. Sample data showed 5% of the number and 2% of the dollar of loans were to borrowers in the low-income tracts. This is comparable to demographic data showing 5% of the AA households are located in low-income tracts. Loans to borrowers in the moderate-income tracts were 25% of the number and 19% of the dollar of loans, which is above demographic data of 18%. While the bank's penetration into the low-income tracts compares to demographics, the indirect auto sample did not have penetration in a low-income tract. This low penetration is somewhat expected, as there is limited control over the distribution of indirect auto loan originations.

The bank has not received any CRA related complaints since the previous CRA examination.

We found no evidence of illegal discrimination or other illegal credit practices.