



Public Disclosure

June 13, 2000

Community Reinvestment Act Performance Evaluation

**Hometown Bank, National Association
Charter Number 23603**

**312 West Central
Carthage, Missouri 64836**

**Comptroller of the Currency
Midwestern District
Kansas City South Field Office
1710 East 32^d 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 Hometown Bank, National Association, Carthage, Missouri prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency, as of June 13, 2000. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. part 25.

Institution's CRA Rating This institution is rated "Outstanding".

Hometown Bank, N.A., is helping to meet the credit needs of its assessment area.

- The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes.
- A substantial majority of loans (93%) are made in the bank's assessment area.
- The bank's loan-to-deposit ratio is excellent. The loan-to-deposit ratio, since the bank's opening two years ago, has averaged 88%. And the latest quarterly loan-to-deposit ratio is 95%, which is the highest ratio of the banks in the assessment area.

DESCRIPTION OF INSTITUTION

Hometown Bank, N.A., is located in Carthage, Missouri. The bank has \$72 million in total assets, of which loans were \$58 million (81% of total assets), according to the March 31, 2000, Report of Condition. The bank is 100% owned by Hometown Bankshares, Inc., a one-bank holding company, also located in Carthage, with the bank as its primary asset. The main banking office is in Carthage, Missouri, and a branch is in Joplin, Missouri. Both are full service facilities offering drive up service, and an automated teller machine (ATM). The bank also has a limited service, loan production office located in Neosho, Missouri. The bank offers a variety of loan products, including consumer, commercial, residential real estate, and agricultural loans.

Real estate, consumer and commercial loans are the primary focus of the bank's portfolio. Conclusions are based on a sample of consumer, commercial, and residential real estate loan originations from June 1998 to June 2000. There are no legal impediments or other factors, including the financial condition of the bank, which hinder the bank's ability to fulfill its CRA obligation. This is the first Performance Evaluation conducted to determine the bank's record of meeting community credit needs.

Loan Portfolio as of March 31, 2000		
Loan Type	Dollar Amount (\$000)	Percent
Real Estate Loans	34,554	59%
Commercial Loans	13,749	24%
Individual Loans	5,665	10%
Agricultural Loans	3,912	7%
Other Purposes	70	0%
Total	57,950	100%

Loan Originations by Type since June 1998				
Loan type	#	%	\$ (in 000's)	%
Real Estate (1) 1-4 family home loans are 44% of total R/E loans.	753	30%	63,088	54%
Commercial	441	18%	31,965	28%
Consumer	1,048	42%	9,871	9%
Agricultural	261	10%	11,132	9%
Total	2,503	100%	116,056	100%

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) consists of Jasper County and Newton County. The AA contains 32 census tracts, and is located in the Joplin Metropolitan Statistical Area (MSA). There are no low-income tracts in the AA. There are 3 moderate-income tracts or 9% of the AA. There are 24 middle-income tracts or 75% of the AA. And there are 5 upper-income tracts or 16% of the AA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. There are seven independently owned banks and several mid sized or large bank branches, which provide competition within the AA.

The population of the AA is 134,910 and includes 53,130 households. Low-income families represent 19% of the AA population with the remainder as follows: 19% moderate-income, 24% middle-income, and 38% upper-income families. Approximately 16% of the total households fall below the poverty level income. The estimated 1999 median family income for the MSA is \$38,000. Owner occupied housing represents 66% of total housing in the AA, with a median housing value of \$40,312. Manufacturing, retail businesses, tourism and agriculture dominate the economy of this area. Major employers in the AA include Leggett and Platt, Butterball Turkey, Schrieber Foods, Americold Logistics, Dyno-Nobel, Pillsbury, numerous trucking companies, medical facilities, and services. Unemployment is low at approximately 3%.

Examiners interviewed two community contacts to discuss the community's credit needs. One contact was in community development/promotion, and the other was in real estate services. Four additional community contacts recently interviewed by other regulatory agencies were reviewed. The contacts identified low- or moderate-income housing, as a primary need in this community. The community contacts indicated the economic conditions in the area are good. The demands for non-skilled or semi-skilled workers by local industries and businesses, and the low unemployment levels, have driven up the labor rates. Investors are providing much of the current housing needs for these workers. The level of community development opportunities is limited for banks.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Due to the limited loan demand in the moderate-income tracts, we placed primary emphasis on Lending to Borrowers of Different Incomes and to Businesses of Different Sizes. Emphasis was also placed on Lending in the Assessment Area and the bank's Loan to Deposit ratio.

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

Hometown Bank's performance of lending to borrowers of different incomes and businesses of different sizes is excellent. Examiners reviewed a sample of the bank's primary product types. We reviewed a sample of 1-4 family residential real estate loans, consumer loans and business loans. Based on a sample of loans originated from June 1998 through June 2000, management has responded favorably to the credit needs of its assessment area by originating loans to low- and moderate-income borrowers, as well as small businesses. The following tables summarize originations by number and dollar amount of loans to each income designation within the AA:

Sample of Consumer Loan Originations					
Income Designation for Borrower	% of families in Income Category	Originations by \$ (in 000's)	Dollars as a percent of total	Originations by #	Number of loans as percent of total
Low	19%	\$59	24%	4	20%
Moderate	19%	\$41	17%	5	25%
Middle	24%	\$40	17%	6	30%
Upper	38%	\$100	42%	5	25%
Total	100%	\$240	100%	20	100%

Sample of Residential Real Estate Originations					
Income Designation for Borrower	% of families in Income Category	Originations by \$ (in 000's)	Dollars as a percent of total	Originations by #	Number of loans as percent of total
Low	19%	\$55	6%	2	10%
Moderate	19%	\$157	17%	6	30%
Middle	24%	\$401	42%	6	30%
Upper	38%	\$333	35%	6	30%
Total	100%	\$946	100%	20	100%

The lack of low-income borrowers for residential real estate loans is mitigated by the number of

low-income families below the poverty level (16% of the AA are below the poverty level), who would have difficulty affording a home.

The following table shows 90% of the commercial/industrial loan originations were to businesses with revenues less than \$1 million:

Sample of Commercial/Industrial Loan Originations				
Revenue Size	# in AA	% of Businesses in the AA	# of Originations from sample	% of Originations in sample
Businesses w/revenues less than \$1 million	4,909	91%	18	90%
Businesses w/revenues greater than \$1 million	462	9%	2	10%
Totals	5,371	100%	20	100%

Based on our sample, annual sales for small businesses are further segregated as follows:

Gross Revenue	#	% by #	\$ (in 000's)	% by \$
< \$100M	4	20%	\$262	19%
\$100 < \$250M	5	25%	\$233	17%
\$250 < \$500M	4	20%	\$196	14%
\$500 < \$1,000M	5	25%	\$540	39%
> \$1MM	2	10%	\$150	11%
Totals	20	100%	\$1,381	100%

Lending in Assessment Area

Hometown Bank's record of lending within its assessment area is excellent. A substantial majority of all loans made are located within the AA. The primary credit products were determined to be real estate loans, business loans and consumer loans. Based on our sample of originated loans since the origination of the bank two years ago, 93% by number, and by dollar amount, are within the bank's AA.

The following table reflects lending in the AA by product line:

Percent of Originations by Number & Dollar								
	Real Estate		Commercial		Consumer		Total	
	#	\$	#	\$	#	\$	#	\$
In the assessment area	100%	100%	90%	89%	90%	91%	93%	93%
Out of the assessment area	0%	0%	10%	11%	10%	9%	7%	7%

Loan-to-Deposit Ratio

Hometown Bank's loan-to-deposit (LTD) ratio is excellent. The quarterly LTD ratio, since the bank's opening two years ago, has steadily increased, and has averaged 88%. The latest quarterly LTD ratio is 95%. And, is the highest among all banks in the AA. The average LTD ratio of the national peer group of banks is 74%.

The average LTD of all banks in the AA is 73%. There are seven other independent banks in the AA. The other banks in this AA, and their quarterly average LTD ratios are: FNB Sarcoxie, 88%; Ist State Bank of Joplin, 78%; Southwest Missouri Bank, 78%; Peoples National Bank, 74%; Goodman State Bank, 71%; Webb City Bank, 54%; and Community Bank and Trust, 50%. These banks are similarly situated with banking facilities in Joplin, with the exceptions of FNB Sarcoxie, Goodman State Bank, and Peoples National Bank.

Geographic Distribution of Loans

Hometown Bank's lending pattern reflects reasonable dispersion to moderate-, middle-, and upper-income geographies within the AA given the market conditions. There are no low-income census tracts in the AA. And, there are a very limited number of moderate-income tracts.

Examiners reviewed a sample of 20 residential real estate, owner occupied loans, 20 consumer loans, and 20 commercial loans, originated by the bank since the bank opened in June of 1998. We identified whether these loans were located in moderate-, middle-, or upper-income geographic tracts. There were no lower-income tracts.

The following tables illustrate the loan dispersion by the income level of the census tracts.

Real Estate Loans and Consumer Loans

Income Level of Tract	Residential RE Lns in Sample				% of Owner Occupied Housing in AA	Consumer Loans in Sample				% of Population in Each Tract
	#	%	\$(000's)	%		#	%	\$(000's)	%	
Low-income	0	0%	0	0%	0%	0	0%	0	0%	0%
Moderate-income	0	0%	0	0%	8%	0	0%	0	0%	10%
Middle-income	20	100%	946	100%	76%	18	90%	223	93%	74%
Upper-income	0	0%	0	0%	16%	2	10%	17	7%	16%
Totals	20	100%	946	100%	100%	20	100%	240	100%	100%

Commercial Loans

Income Level of Tract	Commercial Loans in Sample				Percentage of Businesses in Each Tract
	#	%	\$(000's)	%	
Low-income	0	0%	0	0%	0%
Moderate-income	1	5%	24	2%	19%
Middle-income	17	85%	1,202	87%	65%
Upper-income	2	10%	155	11%	16%
Totals	20	100%	1,381	100%	100%

Total Loans Sampled - Distribution of Loans by Census Tract (CT)

Census Tract Designation	Number of originations	% of total originations	\$ of originations in 000's	% of \$ originations
Low-income CT	0	0%	\$0	0%
Moderate-income CT	1	2%	\$24	1%
Middle-income CT	55	91%	\$2,371	92%
Upper-income CT	4	7%	\$172	7%
Totals	60	100%	\$2,567	100%

The initial analysis indicated limited loan penetration in the moderate-income census tracts. The mitigating facts, which are found in further analysis, reflect that the bank is satisfactory in its geographic distribution of loans.

Demand is limited in moderate-income tracts. These moderate-income tracts contain some economically depressed business and housing areas, which have limited demand for consumer or business loans. The owner occupied residential real estate in these moderate-income tracts comprises only 8% of the owner occupied housing in the AA. They contain 22% of the rental properties in the AA, 18% of the rental units are vacant, and 23% of the vacant units are boarded up. These are older housing areas with little or no new construction. These conditions affect, and would mitigate, the low demand for owner occupied residential real estate loans in these areas.

There are numerous other lenders serving the same area. The moderate-income tracts in the AA are in or near the downtown area of Joplin. There is considerable competition for borrowers in these tracts. There are 6 banking facilities physically located in these 3 moderate-income census tracts: Firststar has 2, Commerce Bank has 2, and one each for First State Bank and Arvest. The Joplin branch of Hometown Bank is not located in one of the moderate-income areas.

Record of Compliance with Antidiscrimination Laws

Hometown Bank is in compliance with the applicable antidiscrimination laws. An analysis of recent HMDA, small business and small farm lending data, public comments, and consumer complaint information was performed according to the OCC's risk based analysis approach. The analysis of the lending data revealed no significant differences for applicants by collected prohibited basis. In addition, an analysis of the consumer compliant data and public comments revealed no fair lending issues that warranted a more detailed review.

Response to Complaints

Hometown Bank has not received any Consumer Compliance, Fair Lending, or CRA complaints from the public since the bank opened in June of 1998.