



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

October 23, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter # 8615
301 North Main
Seiling, Oklahoma 73663**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3394**

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, Seiling, Oklahoma** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **October 21, 1996**. 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. Consistent with its resources and capabilities, the bank is satisfactorily meeting the credit needs of its assessment area, including those of low- and moderate-income individuals.

The following table indicates the performance level of First National Bank, Seiling, Oklahoma with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FIRST NATIONAL BANK</u> <u>Seiling, Oklahoma</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio			X
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the prior examination		

DESCRIPTION OF INSTITUTION

First National Bank is located in Seiling, Oklahoma. The main bank and drive-in facility are located in downtown Seiling. There are no branches. First National Bank does not issue Automated Teller Machine (ATM) cards and no ATMs are serviced by the bank. The bank's primary focus is to serve commercial, agricultural, and consumer customers in Seiling and the surrounding areas.

As of September 30, 1996, First National Bank's total assets equaled \$56,486,000, of which \$10,939,000, or 19.37 percent, were composed of various types of loans to individuals and businesses. The \$10,939,000 in loans outstanding consisted of \$3,649,000 in real estate related loans, (33.36 percent), \$2,645,000 in commercial loans, (24.18 percent), 2,865,000 in agricultural loans, (26.19 percent), and 1,780,000 in consumer loans, (16.27 percent).

There are no known factors which have or may potentially impede the bank's ability to meet the credit needs of its assessment area. The previous review of the bank's performance under the Community Reinvestment Act was December 7, 1993.

DESCRIPTION OF THE ASSESSMENT AREA:

The assessment area adopted by the board encompassed a horseshoe shaped area surrounding the town of Seiling. The area included portions of north central and northeastern Dewey County, southeastern Woodward County and southwestern Major County. In order to be consistent with current regulatory requirements, the review of the bank's performance was conducted using an assessment area consisting of Census Tract #9591 in Dewey County, Census Tract #9587 in Blaine County, Census Tract #9552 in Major County, and Census Tracts #9531 and #9532 in Woodward County.

The United States Census Bureau identifies four of the five tracts in the assessment area as middle income. These are tract numbers 9591, 9587, 9552, and 9532. Tract number 9531 in Woodward County is identified as an upper income tract by the census bureau. Seiling is located on the northern edge of tract number 9591. The remaining tracts are immediately adjacent to tract number 9591. There are no low income or moderate income tracts identified in any of the four counties.

United States Census Bureau information as of 1990 reflected a total population of 11,776 in the five tract area. The area contained 5,767 housing units with 3,610 or 62 percent owner occupied. Additionally, there were 3,201 families and 4,286 households in the area. Sixty-nine percent of the households derive their income from wages or salaries. The largest employment sectors were farming and service related entities.

The assessment area is served by one other stand alone bank in Canton, Oklahoma. The area is also served by branches of other banks in Longdale and Mooreland, Oklahoma.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Ratio

The loan-to-deposit ratio does not meet the standard for satisfactory performance. The average quarterly loan-to-deposit ratio from December 31, 1993 through June 30, 1996 was 17.30 percent. This average does not compare well to the average of other stand alone banks in Dewey County and the contiguous counties. The average for this group of twenty-seven banks was 39.59 percent at December 31, 1993 and 42.46 percent at June 30, 1996. Loan-to-deposit ratios for the group at June 30, 1996, range from a low of 19.90 percent to a high of 81.82 percent.

First National Bank's ratio also does not compare well to the average loan-to-deposit ratio for the other four stand alone banks in Dewey County. The average for this group was 36.37 percent at December 31, 1993 and 49.09 percent at June 30, 1996. Loan-to-deposit ratios for the group at June 30, 1996, ranged from a low of 28.02 percent to a high of 66.24 percent.

However, First National Bank's loan-to-deposit ratio has been improving since December 1993. The lowest ratio reported was 11.55 percent at March 31, 1994. The highest ratio reported was 21.75 percent at December 31, 1995. The preliminary ratio for September 30, 1996 is 22.73 percent.

Additionally, it is noted that First National Bank is substantially larger than its nearest rural competitors due to out-of-territory deposits. It is also noted that First National Bank does have the largest loan portfolio with more than \$10,000,000 in loans compared to an average loan portfolio of \$6,800,000 for the other four Dewey County banks. Furthermore, First National Bank's loan portfolio has grown more since December 1993 than its immediate competitors. These facts indicate that First National Bank does pursue lending opportunities and obtains its share of loan demand in the market. Finally, First National Bank has made a community development investment of \$165,000 (in lieu of a loan) to purchase and renovate a downtown building for lease to the Duckwalls variety store.

Lending in Assessment Area

A large majority of credit extended is within the assessment area. Analysis of a random sample of sixty-seven consumer/residential loans and twenty business/agricultural loans extended since the last examination noted the following results:

Loan Sample	% of loans inside area	% of loans outside area	% of loan dollars inside area	% of loan dollars outside area
Consumer/Residential (67 loans for \$449,011)	90.98%	9.02%	85.07%	14.93%
Business/Agricultural (20 loans for \$783,264)	85.00%	15.00%	80.43%	19.57%
Combined Totals (87 loans for \$1,232,275)	85.06%	14.94%	84.27%	15.73%

The above sample information is corroborated by a geocoding of First National Bank's outstanding loans as of October 1, 1996. This data reflected that 75.42 percent of the bank's 423 loans have been extended within the assessment area. This further translated into 76.70 percent of the dollars volume of loans being within the assessment area.

Lending to Borrowers of Different Incomes

The distribution of loans to individuals and businesses of different income levels within the assessment area is reasonable. The following table uses income data collected from the random sample of consumer and residential loans selected for review.

Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans (67)	41.79%	14.93%	23.88%	19.40%
Dollars of Loans (\$449,011)	17.43%	4.91%	36.77%	40.89%

Lending to Borrowers of Different Incomes (continued)

The number of loans to each income group compares well to the distribution of households and families by income level illustrated below:

Description	% Low Income *	% Moderate Income *	% Middle Income *	% Upper Income *
Households (4,289)	21.61%	15.92%	17.56%	44.91%
Families (3,203)	18.17%	17.64%	22.48%	41.71%

* Census median income was \$24,139.

Also, the sample of commercial and agricultural loans reviewed found that all twenty of these loans were extended to entities with annual gross revenues of less than \$1 million per year.

Geographic Distribution of Loans

The geographic distribution of loans within the assessment area is reasonable. Based on mailing addresses, review of the consumer/residential loan sample noted that 67.19 percent of the loans examined were extended in census tract number 9591. This equated to 62.31 percent of the dollar volume of loans reviewed. Another 11.94 percent of the loans and 15.35 percent of the dollar volume were extended in census tract number 9552. And, 5.97 percent of the loans and 13.32 percent of the dollar volume were extended in census tract number 9587.

Additionally, review of the business/agricultural loan sample noted that 80.00 percent of the loans examined were extended in census tract number 9591. This equated to 71.66 percent of the dollar volume of loans reviewed. Another 5.00 percent of the loans and 8.77 percent of the dollar volume were extended to census tract number 9552.

Although none of the sampled loans were made to persons reported mailing addresses in census tract numbers 9531 or 9532, many of the people living near Seiling in these southeastern Woodward County census tracts are known to maintain Seiling post office boxes, or are served by a rural route out of Seiling or Chester. Therefore, it is probable that some of the loans attributed to census tracts 9591 and/or 9552 actually reside in census tracts 9531 and 9532. At this time, there is no way to accurately determine distribution to each census tract without more definitive physical location information.

The geocoding of First National Bank’s outstanding loans, by mailing addresses, as of October 1, 1996, also indicated a reasonable distribution of loans to the five census tracts with

a concentration in census tract number 9591 containing the town of Seiling.

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the December 7, 1993 examination.

Fair Lending Matters

No violations of the substantive provisions of antidiscrimination laws and regulations were identified. Additionally, no evidence of discrimination or disparate treatment was found. First National Bank's lending practices are reflective of antidiscrimination policies.