



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**May 02, 2007**

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

**The First National Bank of Fletcher  
Charter Number 12141**

**401 West Cole  
Fletcher, Oklahoma 73541**

**Comptroller of the Currency  
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**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.**

The major factors that support this rating include:

- The bank's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- The bank's continuing efforts to pursue lending opportunities and improve the bank's loan-to-deposit ratio.
- The bank generates a majority of its loans within the defined assessment area.
- The bank exceeds the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

The First National Bank of Fletcher is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Evaluation.

## DESCRIPTION OF FIRST NATIONAL BANK OF FLETCHER

The First National Bank of Fletcher (FNB) is a community bank headquartered in Fletcher, Oklahoma. The bank is majority owned by First Fletcher Bancshares, a one-bank holding company. FNB is affiliated with American Exchange Bank of Lindsay, Oklahoma, by common holding company owners. The affiliated bank is a state chartered institution under the American Holding Company of Lindsay, Incorporated.

The main bank and a drive-in facility are located at 401 West Cole in Fletcher, Oklahoma. A branch facility with a drive-in is located at 1 South 5<sup>th</sup> Street in Sterling, Oklahoma. Since the last examination, automated teller machines (ATMs) have been installed at both locations. No locations have been opened or closed since the previous Community Reinvestment Act examination.

The bank's primary focus is to serve consumer, commercial and agricultural customers in Fletcher, Sterling, and the surrounding areas. The bank meets these needs by providing traditional loan and deposit products, as well as telephone access services. FNB is in the process of implementing Internet access services.

As of December 31, 2006, the bank's total assets equaled \$18 million, of which \$5 million, or 27 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

Loan Category	\$ (000)	%
Commercial Loans	1,727	34.79%
Residential Real Estate Loans	1,415	28.50%
Consumer Loans	1,018	20.51%
Agricultural Loans	804	16.20%
<b>Total</b>	<b>4,964</b>	<b>100%</b>

Management's focus on improving credit administration systems has negatively impacted loan volumes and is discussed under the "Loan-to-Deposit Ratio" section below. There are no other known legal or financial impediments to prevent the bank from meeting the credit needs within the assessment area. FNB is involved in and provides support to the community's financial needs. The bank received an overall rating of Satisfactory at the last Community Reinvestment Act examination dated December 2, 2002.

## DESCRIPTION OF FNB's ASSESSMENT AREA

The assessment area adopted by FNB consists of whole geographies, does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

FNB's assessment area consists of 4 contiguous census tracts within Comanche and Caddo Counties in Southwest Oklahoma. The assessment area includes tracts 20.03; 21.00; 22.00 within Comanche County and tract 9623 in the adjacent Caddo County. Both bank locations are located in census tract 21.00. The following table describes major demographic and economic characteristics of the assessment area (AA), based on 2000 U.S. Census data.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF ASSESSMENT AREA</b>	
<i>Population</i>	
Number of Families	4,431
Number of Households	5,776
<i>Geographies</i>	
Number of Census Tracts/BNA	4
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	75.00%
% Upper-Income Census Tracts/BNA	25.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	42,848
2006 HUD-Adjusted MFI	45,900
<i>Economic Indicators</i>	
2000 Median Housing Value	70,492
% of Households Below Poverty Level	13.04%

The total population of the assessment area is 15,349 persons. Although there are no low- or moderate-income census tracts in the assessment area, there are low- and moderate-income families in the assessment area. Of the 4,431 families, 18 percent are low-income families and 16 percent are moderate-income families. Of the 5,776 households, 13 percent are below the poverty level. The median housing value is \$70,492 with the median age of housing stock at 35 years.

The local economic conditions are stable. The agricultural sector remains depressed with many of the farmers downsizing and others have gone out of business. The housing market is improving due to new construction. New duplexes, quadplexes and owner occupied units are being built to accommodate people moving from Lawton. A majority of the residents of Fletcher and Sterling commute to Ft Sill or Lawton for employment. The major employers in the area are the Fletcher Public School District, Temple Inland (Wallboard), Fort Sill Military Base and Goodyear Tire Manufacturing Company.

FNB faces strong competition from several branches of larger financial institutions, stand-alone banks, and other financial institutions located in the general area of Fletcher. There are no other financial institutions in Fletcher or Sterling.

A community contact was made during the examination to help ascertain the credit needs of the assessment area. The immediate credit needs of the community are being fulfilled, according to the contact. The main financial need in the area is for consumer related loans, with a limited need for commercial loans. There is generally a need for lower- and moderate-income housing. FNB is involved in community development activities and programs in the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses FNB’s performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate FNB’s lending performance, a random sample of 51 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 25 consumer loans and 26 business and agricultural loans that originated since December 31, 2004. Based on the analysis and consistent with available resources and capabilities, FNB is meeting the credit needs of the assessment area in a satisfactory manner.

### *Loan-to-Deposit Ratio (LTD)*

FNB’s loan-to-deposit (LTD) ratio does not meet the standard for satisfactory performance. The average quarterly LTD ratio from December 31, 2002 through December 31, 2006 is 26 percent. The average does not compare favorably to the average for the other banks in the bank’s assessment area and surrounding counties. The average quarterly LTD of the twenty-one banks chartered in Comanche, Caddo, Stephens, Grady, Cotton and Kiowa Counties range from a low of 26 percent to a high of 110 percent. The quarterly average loan-to-deposit ratios for the four similarly situated banks in the area are listed in the table below.

Institution	Assets as of 12/31/2006 \$ (000)	Average LTD Ratio
Citizens’ Bank, Velma	18,198	79%
First State Bank in Temple	22,664	66%
Bank of Verden	22,369	64%
Washita Valley Bank, Fort Cobb	28,755	46%
<b><i>The First National Bank of Fletcher</i></b>	<b><i>18,071</i></b>	<b><i>26%</i></b>

The low ratio is somewhat mitigated by the fact that in the past, management devoted much of their lending resources toward improving credit quality and credit administration systems, as opposed to generating loan volume. Since the last CRA review, the bank’s overall trend of the quarterly loan-to-deposit ratio has improved. The ratio at December 31, 2004 was 22 percent and the ratio at December 31, 2006 was 30 percent. The bank continues to make a large number of small dollar loans in the community. While these loans increase the number of loans made, the dollar volume does not greatly impact the LTD. As of April 5, 2007, 42 percent of the bank’s total loans originated for \$5,000 or less; however, those loans only account for 4 percent of the total amount of outstanding loans.

FNB continues to pursue lending opportunities within the local community. The bank's strongest competition is from branches of larger financial institutions in the surrounding towns. There is a lack of loan demand in the small community of Fletcher. The local customer base is older and provides for significant levels of deposits, while having limited borrowing needs. FNB recently made a large long-term loan to the school system which will increase overall outstanding loans. FNB has made other efforts since the last CRA review to attract new customers and retain the younger customers. They have added ATMs at both locations and they are in the process of implementing Internet services. Also in an attempt to revitalize the community, they have remodeled the interior of the bank and landscaped the vacant lot next to the bank.

***Lending in Assessment Area***

FNB's lending in their assessment area meets the standard for satisfactory performance. The majority of the loans are originated in the bank's assessment area. This conclusion is based on the samples of 25 consumer loans and 26 business/agricultural loans that originated in 2005, 2006 and as of March 31, 2007, as depicted in following table.

<b>Total Loans Reviewed</b>										
<b>Loan Type</b>	<b>Number of Loans</b>					<b>Dollars of Loans</b>				
	<b>Inside</b>		<b>Outside</b>		<b>Total</b>	<b>Inside</b>		<b>Outside</b>		<b>Total</b>
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Consumer	23	92%	2	8%	25	154,421	83%	30,804	17%	185,225
Business/Agricultural	20	77%	6	23%	26	423,301	53%	377,548	47%	800,849
Totals	43	84%	8	16%	51	577,722	59%	408,352	41%	986,074

*Source: Sample of 51 loans used to determine CRA performance*

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

FNB exceeds the standard for satisfactory performance for lending to borrowers of different incomes and businesses/farms of different sizes. The following tables represent the distribution of lending based on the sample of 20 business/agricultural loans and 23 consumer loans extended within the assessment area.

<b>Borrower Distribution of Loans to Businesses/Farms</b>				
<b>Farm Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
% of AA Business/Farms	39%	2%	59%	100%
% of Bank Loans in AA by #	100%	0%	0%	100%
% of Bank Loans in AA by \$	100%	0%	0%	100%

*Source: U.S. Census data and business/farm loan sample*

FNB’s loan distribution to businesses and farms is good. The sample of business/agricultural loans revealed that all of the loans were extended to small businesses/farms with annual gross revenues of less than \$1 million per year. A large percentage of the businesses in the assessment area did not report revenues or revenues were unavailable or unknown.

<b>Borrower Distribution of Consumer Loans</b>								
<b>Borrower Income Level</b>	<i>Low</i>		<i>Moderate</i>		<i>Middle</i>		<i>Upper</i>	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	21%	22%	14%	48%	19%	26%	46%	4%

*Source: U.S. Census data and consumer loan sample*

FNB’s distribution of consumer loans by income level is good. The number of consumer loans extended to low- and moderate-income borrowers compares favorably to the percentages of low-income and moderate-income households represented in the assessment area.

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

An analysis of the geographic distribution of loans would not be meaningful since there are no low- or moderate-income census tracts in the assessment area.

### ***Responses to Complaints***

FNB has not received any complaints about its performance in helping to meet assessment area needs during this evaluation period.

## **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.