



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 31, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank Of Medford
Charter Number 5796**

**120 North First Street
Medford, OK 73759**

**Comptroller of the Currency
C. Scott Schainost, Assistant Deputy Comptroller - Wichita Field Office
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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.

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INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

- The First National Bank's average loan-to-deposit ratio of 65% is satisfactory compared to the other banks in the assessment area.
- A majority of the bank's primary loan products have been granted in the assessment area. The examiners' loan sample indicated 83% of the number and 88% of the dollar volume were made in the assessment area.
- The bank's lending to borrowers of different income levels and businesses of different sizes is satisfactory. Thirty-five percent of the number of loans and 38% of the dollar amount of our sample were granted to small agricultural operations with annual gross revenues less than \$100,000. The bank also demonstrated satisfactory lending penetration to low- and moderate-income consumers. The consumer loan sample, which relied on loan amount as proxy for income, indicated that loans with original balances of \$2,000 or less represented 35% of the number of loans in the bank's consumer portfolio.

DESCRIPTION OF INSTITUTION

The First National Bank of Medford (FNB) is a \$24 million financial institution in Medford, Oklahoma. FNB is one of five banks headquartered in the bank's assessment area. The bank does not have any branches. The bank has one Automated Teller Machine located in a convenience store in Medford. The bank does not operate under a holding company.

FNB is a full service bank and offers a variety of loan products with an emphasis on agricultural and small consumer loan products. Net loans represent 59% of the bank's total assets. As of September 30, 2001, the bank's \$14.4 million loan portfolio had the following composition: 48% agriculture; 39% commercial; and 13% consumer.

The bank's primary lending products, by number of loans granted in 2000 and 2001, were consumer 49% and agriculture 42%.

The bank's financial condition, size, local economic conditions, and other factors allow it to help meet the credit needs of its assessment area. The bank has neither opened nor closed any branches since the last CRA examination. At the last CRA examination, dated November 12, 1997, we assigned a "Satisfactory" rating.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) includes all of Grant County. The county is located in northern Oklahoma and is not in a Metropolitan Statistical Area. The assessment area contains four Block Numbering Areas, which are all middle-income tracts. The 2000 census population of the AA was 5,144, with the City of Medford representing 23% of the total. The Oklahoma statewide non-metropolitan median family income for 2001 is \$34,000. The AA has the following income distribution for families:

Distribution of Family Income in Assessment Area	
Income Level	Percentage
Low-income Families	15%
Moderate-income Families	18%
Middle-income Families	22%
Upper-income Families	45%

Fifteen percent of the households have incomes below the poverty level, 38% receive social security, and 6% receive public assistance. Thirty-four percent of the population is not in the work force and 23% is over the age of 65.

The median housing value is \$25,832, and 63% of the housing units are owner-occupied. The local economy is dominated by agriculture, and is complemented by some oil production. The primary agricultural products are wheat and cattle. Major employers include Koch Industries, the school district, and the county. The county has seen a decline in economic conditions due to a weak agricultural market. The Oklahoma unemployment rate is increasing and is 4% for November 2001.

Competition in the area is moderate. There are five banks headquartered in the AA. There is one branch located in the AA that is headquartered outside of the AA. FNB is the third largest and had 15% of the AA's deposits on June 30, 2001.

The bank's assessment area complies with the regulation and does not arbitrarily exclude any low- or moderate-income areas.

Examiners contacted one community professional. The contact indicated the credit needs of the community were agricultural and consumer loans. The contact believes the credit needs of the community are adequately being met by the local financial institutions.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

FNB's lending level is reasonable given the competition in the area. The bank's average quarterly loan-to-deposit ratio for the last 12 quarters was 65%. The bank's Loan-to-deposit ratio has remained fairly stable over this period. The average quarterly loan-to-deposit ratio over the same period for the other banks in the AA was 64%. The quarterly averages range from 37% to 83%.

Lending in Assessment Area

The bank's lending in its assessment area is satisfactory as it extended a majority of its primary loan products, agriculture and consumer loans, in the assessment area. To determine the loan distribution, examiners selected a sample of 40 loans granted in 2000 and 2001. The sample consisted of 20 agricultural loans and 20 consumer loans. The following table depicts the distribution of these loans by number and dollar amount.

Percentage of Sample Loans Granted Within the Assessment Area	
Percentage by Number	Percentage by Dollar
83%	88%

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

Lending to borrowers of different incomes and businesses of different sizes is satisfactory.

Lending levels to businesses of different sizes is reasonable. Examiners reviewed a sample of 20 agriculture loans granted in the AA in 2000 and 2001. The table below indicates 35% of the number of loans and 38% of the dollar amount of those loans were granted to small agricultural operations with annual gross revenues less than \$100,000. Management considers operations less than \$250,000 to be small operations for the area.

Sample of Agriculture Loans Granted in 2000 and 2001		
Annual Gross Revenues	Percentage of Number of Loans	Percentage of Dollar Amount of Loans
Less than \$100,000	35%	38%
\$100,000 to \$150,000	30%	19%
\$150,000 to \$250,000	10%	4%
Over \$250,000	25%	39%

The bank also makes loans to borrowers of different income levels. The bank does not consistently collect income information on consumer loans, so we utilized loan size as a proxy for income. By using loan size as a proxy for income, the bank has a satisfactory penetration to individuals with low-and moderate-income levels. Demographics show 20% of households in the assessment area are low income and 16% are moderate income. Consumer loans with original balances of \$2,000 or less represent 35% of the number of consumer loans in the bank's portfolio.

Geographic Distribution of Loans

An analysis of the geographic distribution of credit would not be meaningful. The bank's assessment area consists only of middle-income areas.

Responses to Complaints

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

Fair Lending Review

An analysis of 1997,1998, 1999, 2000 and 2001 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.