



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

February 19, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Pauls Valley National Bank
Charter Number 7892**

**101 West Paul Street
Pauls Valley, Oklahoma 73075**

**Comptroller of the Currency
1600 Lincoln Plaza
500 North Akard
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 Pauls Valley National Bank, Pauls Valley, Oklahoma as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of February 19, 1997. 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.

Pauls Valley National Bank, Pauls Valley, Oklahoma is responsive to community credit needs. This is supported by the following:

- Number and dollar volume of loans granted to individuals or families with different income levels as well as loans to small farms and small businesses.
- Number and dollar volume of loans extended within the designated assessment area.
- The number and variety of products and services offered at the main bank in Pauls Valley.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Pauls Valley National Bank</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	Geographic distribution analysis is not meaningful as the assessment area contains no low-to-moderate income census tracts.		
Response to Complaints	No complaints were received since the last CRA examination.		

DESCRIPTION OF INSTITUTION

Pauls Valley National Bank (PVNB) located in Garvin County, Pauls Valley, Oklahoma, is an affiliate of Valley Bancshares, Inc. PVNB has adequate resources devoted toward meeting community credit needs. There are no known legal, financial, or other factors impeding the bank's ability to meet the credit needs of the designated assessment area. PVNB's main bank office is located at 101 West Paul Street. In addition, PVNB operates a full service drive in and one 24 hour automatic teller machine (ATM) at 217 West Paul Street. As of December 31, 1996, PVNB had total assets of \$77 million, gross loans of \$33 million, and an average loan-to-deposit ratio of 43 percent. A breakdown by type of loan is reflected in the table below.

Percentage of Loans by Type as of December 31, 1996	
Real Estate	41 percent
Commercial and industrial	27 percent
Instalment	22 percent
Loans to finance agricultural production and other loans to farmers	9 percent
Other loans	1 percent

Although PVNB offers a wide variety of credit products, the primary lending focus is different types of real estate loans and loans to commercial customers for various purposes. PVNB also originates and packages real estate loans for sell into the secondary market through McClain County Mortgage Company. PVNB's performance under the CRA was previously evaluated as of April 7, 1994.

DESCRIPTION OF THE PAULS VALLEY NATIONAL BANK ASSESSMENT AREA COMPRISING CENSUS TRACT(S) NUMBERED 9912, 9913, & 9914 LOCATED IN GARVIN COUNTY OKLAHOMA.

PVNB's assessment area (AA) consists of three census tracts located in Garvin county and includes the communities of Paoli and Pauls Valley as well as the surrounding rural areas. The AA is inclusive of the geographies where PVNB's main office and deposit taking ATM are located. The assessment area meets the requirements of the regulation, does not arbitrarily exclude low or moderate income geographies, and is described as follows.

**Pauls Valley National Bank
Description of Assessment Area**

The population of the AA is 11 thousand people. The three census tracts in the PVNB assessment area are all designated as middle income. The percentage of families within the AA according to income level is set out in the following table.

Percentage of Families Within the Assessment Area by Income Level	
Low Income	18.63%
Moderate Income	18.94%
Middle Income	20.88%
Upper Income	41.58%

There are four thousand households in the AA with approximately 41 percent of those households being classified as either low or moderate income. The 1990 census Metropolitan Statistical Area (MSA) median family income for the AA is \$24 thousand with a median housing value of \$36 thousand.

Pauls Valley has been successful in attracting new industry to diversify the tax base away from agriculture and livestock operations. Major employers within the assessment area include Southern Oklahoma Resource Center, Viskase, Covercraft Industry, and Chicago Miniature Lamp. In addition, the economy will receive a significant boost when a new Wal-Mart distribution center is built bringing 500-1,000 new jobs to the area. In June of 1996, the unemployment rate for Garvin county was 5.7 percent.

Two community contacts were conducted during the examination. One contact was an employee of the Pauls Valley school system. The other contact owned a local real estate business. Both contacts stated PVNB provides positive support to the Pauls Valley community. PVNB has developed underwriting criteria tailored to meet the specific needs of the school system and is supportive of public education. The availability of a real estate loan department and ability to sell loans in the secondary market have not only benefited the bank but also the community. Both contacts commented on the willingness of PVNB to make, not only real estate loans, but loans of all types to qualified customers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, PVNB is satisfactory in meeting the credit needs of the entire assessment area, including low- and moderate-income individuals and areas, consistent with available resources and capabilities.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is satisfactory. This determination is based on the average loan-to-deposit ratio for the previous eleven quarters. As of December 31, 1996, the eleven quarter average loan-to-deposit ratio for PVNB was 43 percent. To determine if this was reasonable, PVNB's loan-to-deposit ratio was compared to the six banks in Garvin county and the twenty eight banks in the surrounding six counties. As of December 31, 1996, these 34 banks had loan-to-deposit ratios ranging from 21 percent to 84 percent with the average being 54 percent.

Adjustments to the loan-to-deposit ratio included removing the dollar amount of public funds on deposit at PVNB and adding back in real estate loans sold in the secondary market. Public funds are maintained at PVNB's discretion. Real estate loans sold in the secondary market not only provide a service to the assessment area; but also make available additional funds for lending once the loan is sold. From January 1, 1994 thru February 5, 1997, PVNB has sold 48 real estate loans totaling \$3 million. After these adjustments are made, the loan-to-deposit ratio increased to 46 percent.

A second analysis on the reasonableness of the loan to deposit ratio was done by comparing PVNB to the other banks located in Garvin county. This sample consisted of four state chartered banks and one nationally chartered bank. As of September 30, 1996, the average loan-to-deposit ratio for these five banks was 46 percent compared to 47 percent for PVNB. Based on the above analyses, the loan-to-deposit ratio of PVNB is considered reasonable.

PVNB has made one community development loan in the amount of \$65 thousand. The purpose of this loan was to renovate a duplex in a low-to-moderate section of Pauls Valley.

Lending in Assessment Area

Examiners reviewed the institution's internal analysis of credit extensions made, which was verified for accuracy. A majority of PVNB's lending was conducted within the designated assessment area. The review included all product lines offered by the bank. PVNB utilizes a zip code analysis to determine volume of loans made inside and outside the AA. The examination found that, as of February 5, 1997, PVNB had made 1,700 loans totaling \$21 million or 64 percent inside the designated assessment area.

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

Distribution of loans to borrowers of different income levels as well as to small farms and businesses is adequate. PVNB segregated the loan portfolio by borrower's annual income to determine number and percentage of lending within the four income categories. The results are outlined in the table below.

Number and Percent of Loans Extended by Income Classification		
Low	238 loans	15 percent
Moderate	337 loans	21 percent
Middle	335 loans	21 percent
Upper	714 loans	43 percent

PVNB is doing a good job of lending to the different income households. Based on the 1990 census data, 41 percent of the households in the assessment area are classified as either low or moderate income while 59 percent are middle or upper income. According to the table, PVNB has granted 36 percent of its loans to low or moderate income households while 64 percent are to either middle or upper income households.

The level of lending to small businesses was calculated as of February 5, 1997. This calculation revealed PVNB has 476 loans totaling \$13 million or 100 percent of this type to small businesses. Small business lending within the assessment was computed at 331 loans totaling \$8 million or 70 percent. As of October 23, 1996, PVNB had granted 181 loans totaling \$3 million or 100 percent of agricultural loans to small farms.

Geographic Distribution of Loans

A geographic distribution analysis is not meaningful as the assessment area contains no low-to-moderate income census tracts.

No practices were noted which were intended to discourage types of credit offered. Management solicits credit applications from all segments of the community, including low- and moderate-income neighborhoods. Our review revealed substantial compliance with all the provisions of the antidiscrimination laws and regulations. The board and management have developed adequate policies, procedures, and training programs to prevent discriminatory or other illegal credit practices.

Response to Complaints

No complaints concerning the CRA have been received since the last examination.