

Southwestern District
1600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

May 8, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Heavener
Charter Number: 9888**

**400 East 1st Street
Heavener, Oklahoma 74937**

**Office of the Comptroller of the Currency
Eastern Oklahoma Field Office
7134 South Yale Avenue, Suite 910
Tulsa, Oklahoma 74136**

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 **The First National Bank of Heavener** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 8, 2000**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Note: Throughout this evaluation, The First National Bank of Heavener will be referred to as AFNB.@

INSTITUTION'S CRA RATING: This institution is rated ***Satisfactory***.

- C The bank's loan-to-deposit (LTD) ratio is satisfactory. The LTD ratio averaged 65.08% since the November 15, 1996 performance evaluation. The peer group average was 63.98% for the same time period. The bank's LTD ratio on March 31, 2000 was 70.13%.
- C FNB's lending in the assessment area exceeds the standards for satisfactory performance.
- C Management demonstrates a willingness to originate loans to low- and moderate-income individuals (LMI), small businesses, and small farms.
- C Geographic distribution of loans represents a reasonable dispersion throughout the bank's assessment area.

The following comments further describe the bank's CRA performance.

DESCRIPTION OF INSTITUTION

FNB is a \$37 million independent community bank located in Heavener, Oklahoma. FNB is 100% owned by First National Bancorporation of Heavener, Oklahoma, Inc., a one-bank holding company. FNB operates from its main bank facility, which includes a three lane drive-thru facility. Hours of operation are responsive to the general banking needs of the areas served. Regular banking hours (lobby) are Monday - Thursday from 9:00am to 2:30pm. The bank has extended hours on Friday from 9:00am to 5:00pm. Drive-thru facility hours are Monday - Friday from 7:30am to 5:30pm. The drive-thru facility is also opened on Saturday morning from 7:30am to 12:00pm. FNB also operates an automated teller machine on Highway 271 North in Heavener, Oklahoma.

FNB was last evaluated under the CRA on November 15, 1996. A **Satisfactory** rating was assigned. There are no legal, financial, or other barriers impeding the bank's ability to meet the credit needs of the assessment area. Although FNB offers a wide variety of credit products, its primary focus has been one-to-four family residential real estate and consumer related loans. On March 31, 2000, the loan portfolio distribution was as follows:

March 31, 2000 Loan Portfolio Distribution		
Loan Type	Amount (\$000)	Percent of Total
REAL ESTATE:		
Construction Land Development	0	0%
Farmland	770	2%
1-4 Family	11,808	34%
Multifamily	0	0%
Commercial	6,744	20%
SUBTOTAL REAL ESTATE	19,322	56%
AGRICULTURE:	1,759	5%
COMMERCIAL:	6,322	18%
CONSUMER:	7,043	21%
OTHER:	65	0%

March 31, 2000 Loan Portfolio Distribution		
TOTAL	34,511	100%

Source: March 31, 2000 Consolidated Reports of Condition and Income

DESCRIPTION OF BANK'S ASSESSMENT AREA

FNB has designated the entire LeFlore County as its assessment area. This delineation meets the technical requirements of the regulation and does not arbitrarily exclude LMI geographies or individuals. There are twelve census tracts in LeFlore County. Of the twelve census tracts, two are moderate-income, seven are middle-income, and three have not been assigned a particular income designation. According to the 1990 United States Census data, LeFlore County has a population of 43,270. Demographic data reveals that 84% of the population is White, 12% is Native American, 3% is African American, and 1% is of Hispanic origin.

The local economy is heavily dependent upon agriculture (cattle, lumber, and poultry). Heavener, Oklahoma has a switching facility for the Kansas City Southern Railway. Major employers include OK Foods Corp. (800) and Kansas City Southern Railway (105).

Including subject bank, there are six commercial banks operating in the assessment area. Investment brokerage firms and finance companies also operate in the assessment area. Competition among financial institutions is strong.

One-to-four family residential real estate is the largest concentration in the bank's loan portfolio. Based on the 1990 U.S. Census data, the weighted average median housing value is \$33,946. The percentage of households receiving social security is 33.58%. The percentage of households living below the poverty level is 24.15%. The weighted average metropolitan statistical area (MSA)/Non MSA Updated Median family income for 1999 was \$32,700. The following table illustrates the percentage of families by their income level:

Family Income Level	Count	Percentage
Low Income	3,083	25%
Moderate Income	2,144	18%
Middle Income	2,690	22%

Family Income Level	Count	Percentage
Upper Income	4,213	35%
Total	12,130	100%

Source: 1990 Census Data, U.S. Bureau of the Census

COMMUNITY CONTACT

To better understand the general credit needs of citizens residing within the assessment area, we visited with the Heavener, Oklahoma Superintendent of Schools. Based on information from this contact, a need for affordable housing was identified. This need is partially attributable to the influx of Hispanic residents who have gained employment with OK Foods Corp.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

FNB's LTD ratio **meets** the standard for satisfactory performance given the bank's size, financial condition, and identified credit needs of the assessment area. The bank's LTD ratio averaged 65.08%, since the November 15, 1996 performance evaluation. The peer group average for similar sized banks was 63.98% for the same time period.

Lending in the Assessment Area

FNB's lending within the assessment area **exceeds** the standard for satisfactory performance. This conclusion was drawn from a judgmental sample of one-to-four family residential real estate, consumer, and small business/small farm loans. The table below reflects the number and dollar amount of loans sampled and the percentages originated within the assessment area.

Lending Practices Within the Assessment Area				
Loan Type	# inside	% inside	\$ inside	% inside
Real Estate	25	100%	1,193M	100%
Consumer	26	96%	176M	99%
Small Business/Farms	21	81%	748M	92%
Aggregate	72	92%	2,117M	97%

Source: OCC Loan Sample

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

FNB's lending pattern reflects **satisfactory** performance among borrowers of different income levels and businesses of different sizes. As captioned below, 25% of the families within the assessment area are low-income and 18% are moderate-income. Based on our sample, the percentage of real estate loans to low- and moderate-income families were 4% and 20%, respectively. Management indicated that the low real estate loan penetration to low-income families is partly due to very little demand for home ownership among low-income applicants. Another explanation, unique to this assessment area, is the popularity of mobile homes, which in some instances are booked as consumer loans by subject bank. Competition also impacts the bank's penetration of real estate loans to low-income families, as five additional financial institutions are operating in the assessment area.

Percentage Distribution of Loans Reviewed Within the Bank's Assessment Area by Income Level of the Borrower				
Area Median Family Income				\$32,700
Income Level of the Borrower	Percentage of Real Estate Loans Reviewed	Percentage of Consumer Loans Reviewed	Combined Percentage of Real Estate & Consumer Loans Reviewed	Percentage of Families Within the Assessment Area
Low (Less than 50% of median income)	4	27	16	25
Moderate (50 to 80% of median income)	20	19	20	18
Middle (80 to 120% of median income)	36	19	27	22
Upper (Greater than 120% of median income)	40	35	37	35
Total	100	100	100	100

Source: OCC Loan Sample

FNB's lending pattern to small businesses and small farms reflects very good dispersion, based on gross revenue. Twenty-one small business/small farm loans were to businesses

and farms with revenue of less than one million dollars. The chart below reflects the lending pattern of small business/small farm loans in our sample.

Small Business Loans in Assessment Area		
Business Revenue	Small Business Loans	
	Number	Percent
< = \$100,000	15	72%
\$100,001 to \$250,000	3	14%
\$250,001 to \$500,000	3	14%
\$500,001 to \$750,000	0	10%
\$750,001 to \$1,000,000	0	0%
\$ Over \$1,000,000	0	0%
Total:	21	100%

Source: OCC Loan Sample

Geographic Distribution of Loans

An analysis of the distribution of loans by income level of the census tracts revealed **satisfactory** distribution based on our judgmental loan sample. There are two moderate-income census tracts and seven middle-income census tracts in the assessment area. The following table displays FNB's lending pattern among the various income level census tracts.

Distribution of Loans Reviewed Within the Bank's Assessment Area By Income Level of the Geography				
Area Median Family Income				\$32,700
Income Level of Geography	Percentage of Residential Real Estate Loans Reviewed	Percentage of Consumer Loans Reviewed	Percentage of Small Business Loans Reviewed	Percentage of Population Within the Assessment Area
Moderate (50 to 80% of				

Distribution of Loans Reviewed Within the Bank=s Assessment Area By Income Level of the Geography				
median income)	12%	19%	14%	17%
Middle (80 to 120% of median income)	88%	81%	86%	83%

Source: 1990 Census Data and Loan Sample

According to demographic data, 17% of the population lives in moderate-income census tracts and the remainder lives in middle-income census tracts. Management indicated that the lower penetration in moderate-income census tracts is due to not having a banking facility located in either of the moderate-income census tracts. Also, a majority of the households receiving social security live in the moderate-income census tracts of the assessment area. Higher percentages of customers receiving social security suggests less of a need for loan products due to the advanced age of these prospective customers.

Response to Complaints

FNB has not received any complaints relating to their CRA performance.

Record of Compliance with Antidiscrimination Laws

During our compliance examination, we also completed a fair lending review to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) - *Equal Credit Opportunity Act (ECOA)*. We found no evidence of discriminatory lending acts or practices. The bank is in compliance with the substantive provisions of ECOA.