



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

January 29, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Bethany
Charter Number 12169**

**6500 Northwest 39th Expressway
Bethany, Oklahoma 73008**

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 The First National Bank of Bethany, Bethany, Oklahoma as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of January 29, 1998. 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.

The First National Bank of Bethany is responsive to the credit needs of the community. This is demonstrated by the types of products and services offered.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Bethany</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 were received since the last CRA examination.		

DESCRIPTION OF INSTITUTION

The First National Bank of Bethany (FNB of Bethany) headquartered in Bethany, Oklahoma is a wholly-owned subsidiary of First Bancorp Bethany, Incorporated, a one-bank holding company also headquartered in Bethany, Oklahoma.

FNB of Bethany's operations are centered in Bethany, Warr Acres and Oklahoma City even though the assessment area encompasses a broader area of Oklahoma, Canadian, and Cleveland counties of the Oklahoma City MSA. Overall, the bank has sufficient resources to devote to meeting community credit needs. There are no known legal, financial, or other factors impeding management's ability to help meet the credit needs of the assessment area. The exceptions being state branching laws and acquisitions limited by a state deposit cap.

The main bank office and drive-in facility is located at 6500 Northwest 39th Expressway, Bethany, Oklahoma. The bank owns two proprietary automated teller machines (ATM's) which are located at the main bank address, and at Southern Nazarene University Commons in Bethany, Oklahoma. A loan production office opened in June 1997 and is located in the Women's Business Center at 234 Quadrum Drive in Oklahoma City. The bank has no branches, however the bank has been approved by the OCC to relocate the main office to a predominantly Hispanic community in southern Oklahoma County. The relocation will result in the current office becoming a branch with the headquarters located in the Bethany Bank Tower. The staff at the new location will be comprised exclusively of bilingual individuals.

As of September 30, 1997, the bank had total assets of \$93 million, gross loans of \$48 million, and a loan-to-deposit ratio of 60 percent. A breakdown by type of loan is reflected in the table below.

Percentage of Loans by Type as of September 30, 1997	
Real Estate loans	61 percent
Commercial/Industrial loans	26 percent
Instalment loans	13 percent

Although FNB of Bethany offers a wide variety of credit products, the primary lending focus is commercial loans to small businesses. FNB of Bethany's performance under the CRA was previously evaluated as of January 4, 1995. At that time the bank's overall level of performance was rated "satisfactory".

DESCRIPTION OF PART OF THE OKLAHOMA CITY METROPOLITAN STATISTICAL AREA (MSA) INCLUSIVE OF CANADIAN, CLEVELAND, AND OKLAHOMA COUNTIES.

FNB of Bethany’s assessment area (AA) is the two-hundred and eighty-eight census tracts within the Oklahoma City MSA consisting of all geographies within Canadian, Cleveland and Oklahoma counties. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. Census tract income characteristics are: 21 low income tracts, 72 moderate income tracts, 115 middle income tracts, and 71 upper income tracts. There are nine census tracts for which there are no income characteristics available.

The 1990 U.S. Census median family income for the MSA is \$32,406 and the 1997 HUD-updated median family income is \$40,800. Approximately 26 percent of the households in the MSA receive social security or public assistance. Household income characteristics within the AA are listed in the following table.

ASSESSMENT AREA INCOME TRAITS		
Tract Income Characteristics	Number of Households	Percent of Households
Low (21 Tracts)	12,634	4%
Moderate (72 Tracts)	75,471	23%
Middle (115 Tracts)	144,861	44%
Upper (71 Tracts)	95,126	29%

Approximately 86 percent of the total housing units in the Oklahoma City MSA are occupied and 54 percent are owner occupied. The economic conditions in the MSA are stable and improving. Predominant industries include state government, military, telecommunications, health care/medical services, and auto assembly.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, the bank is satisfactory in meeting the credit needs of the entire assessment area, consistent with available resources and capabilities.

Loan-to-Deposit Ratio

FNB of Bethany's loan-to-deposit ratio meets the standards for satisfactory performance. This determination is based on the average loan-to-deposit ratio for the previous eleven quarters. As of September 30, 1997, the eleven quarter average for FNB of Bethany was 52.42 percent. The lowest loan-to-deposit ratio for the bank was 45.30 percent at March 31, 1995. The highest loan-to-deposit ratio was the 60.43 noted at September 30, 1997. These percentages reflect a strong improving trend over the last eleven quarters.

FNB of Bethany's loan-to-deposit ratio was also compared to the 57 banks in Oklahoma County and the six contiguous counties. As of September 30, 1997, these 57 banks had loan-to-deposit ratios ranging from 34.21 percent to 88.89 percent with the average being 65.35 percent. FNB of Bethany's current ratio of 60.43 percent compares favorably to this group of competitors.

Lending in Assessment Area (AA)

FNB of Bethany extends a substantial majority of both residential mortgage and small business credit within the AA. An analysis of residential loans reported in the 1996 and year-to-date 1997 Home Mortgage Disclosure Act (HMDA) Loan Register, as well as internal reports detailing 1997 small business loan originations, noted the following results:

LOAN DISTRIBUTION IN VERSUS OUT OF ASSESSMENT AREA				
Year and Description	% of Loans Inside Area	% of Loans Outside Area	% of Loan Dollars Inside Area	% of Loan Dollars Outside Area
1996 HMDA Loans	98%	2%	99%	1%
1997 HMDA Loans	95%	5%	99%	1%
1997 Small Business Loans	95%	5%	96%	4%

This analysis represents 35 and 37 HMDA loans reported in 1996 and year-to-date 1997, respectively. The bank is largely a small business and institutional lender, and does not offer long term or government guaranteed home loans such as Federal Housing Administration (FHA) or Veterans Administration (VA). Therefore, the volume of home mortgage loans continues to be low. In order to meet long-term home mortgage credit needs, a newly formed affiliation as of September 1997 has been initiated with Countrywide Home Loans, a mortgage company that offers a wide range of home mortgage products. The bank only acts in the capacity of obtaining and packaging the application documents for Countrywide, and does not make any of the credit decisions or fund the loans. To date, three out of five loans submitted have been originated out of this relationship totaling \$264 thousand. FNB of Bethany does offer home improvement loans, and home equity lines of credit.

The bank is one of the largest Oklahoma Capital Access Program (OCAP) lenders in the state and holds a Preferred Lender status with the Small Business Administration (SBA). The loan production office located at the Women's Business Center is geared toward providing financial services to women-owned businesses. As of the evaluation, eleven loans totaling approximately \$562 thousand have been closed which in turn generated eight new deposit relationships.

Management is in the process of developing a Micro enterprise Loan Program which ideally is to provide business management training, mentoring and micro-business loans to help low- and moderate-income individuals and families become entrepreneurs.

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 businesses is satisfactory. A review of FNB of Bethany's 1996 and year-to-date 1997 HMDA data was used to determine the distribution of loans made within the AA by the income level of the borrower. Of the 34 approved loans in the AA in 1996, 32 applicants reported income information on loans totaling \$994M. Of the 35 approved loans in the AA in 1997 year-to-date, 33 applicants reported income information on loans totaling \$1,130M. The table below summarizes the distribution for 1996 and year-to-date 1997 across the income categories.

Distribution of 1996-1997 HMDA Applications by Borrower Income Levels				
Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
1996 HMDA Loans (32)	3.13%	18.75%	21.87%	56.25%
1996 HMDA Loans (\$994M)	2.31%	25.45%	14.69%	57.55%
1997 HMDA Loans (33)	12.12%	9.09%	27.27%	51.52%
1997 HMDA Loans (\$1,130M)	3.54%	2.74%	21.86%	71.86%

The data above reflects a reasonable penetration of borrower income levels by number of loans, when compared to the distribution of households and families in the AA by reported income levels in the 1990 census. This distribution is depicted in the table below.

Distribution of Households and Families by Income Level				
Description	Low Income (< 50% of Median)	Moderate Income (50-80% of Median)	Middle Income (80-120% of Median)	Upper Income (>120% of Median)
% of Households (328,081)	22.65%	16.30%	19.76%	41.29%
% of Families (227,053)	19.21%	17.46%	22.73%	40.60%

The level of lending to small businesses noted that at least 28 percent, or approximately \$11 million in loans were made to businesses with revenues of \$1 million or less. FNB of Bethany is not a significant agricultural lender due to being located in a major metropolitan area which does not allow for ample opportunity to conduct this type of lending. Therefore, the percentage of loans to small farms was not evaluated.

Geographic Distribution of Loans

The geographic distribution of loans within the AA is reasonable as are the penetration levels of the 288 tracts contained in the AA. This conclusion is based on a review of the 1996 and 1997 year-to-date HMDA data as well as internal reports of consumer loan originations and commercial loan originations for 1997. This review encompassed 894 loans totaling \$29,973,000. The results of this analysis are depicted in the table below.

Distribution of Originated Loans by Census Tract Types				
Description	Percentage of Total Tracts	Percentage with Loans	Percentage of Total Loans to Tracts	Percentage of Population in Tracts
Low Income Tracts (21)	7.29%	3.13% (9 of 288)	2.01%	3.98%
Moderate Income Tracts (72)	25.00%	10.76% (31 of 288)	17.23%	22.76%
Middle Income Tracts (115)	39.93%	22.57% (65 of 288)	43.29%	43.84%
Upper Income Tracts (71)	24.65%	19.10% (55 of 288)	37.47%	29.77%
Uncategorized Tracts (9)	3.13%	0.00% (0 of 288)	0.00%	0.15%
Total Tracts (288)	100.00%	55.56% (160 of 288)	100.00%	100.00%

It is noted that the physical location of the bank is in west central Oklahoma County where a majority of the census tracts are categorized as middle or upper income tracts. The majority of the tracts categorized as low or moderate income are physically located in the southern parts of the county. Penetration levels on the low and moderate income tracts should improve once FNB of Bethany's south side location is opened.

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.