

PUBLIC DISCLOSURE

June 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Security National Bank of Enid
Charter number: 14315**

**201 West Broadway
Enid, Oklahoma 73701**

**Office of the Comptroller of the Currency
Tulsa 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 Security National Bank of Enid, Enid, Oklahoma**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **June 1, 1999**. 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 Security National Bank of Enid will be referred to as "SNB".

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

- < The bank's loan-to-deposit (LTD) ratio is satisfactory. The LTD averaged 56.97% since the March 25, 1996 performance evaluation. The peer group average for similar bank's operating in the bank's assessment area was 63.41% for the same period. The bank's LTD ratio as of December 31, 1998 was 63.23%.
- < SNB generates a majority of its loan within its assessment area.
- < Management demonstrates a willingness to originate loans to low- and moderate-income individuals (LMI) and small businesses.
- < Management is originating loans in all income-level census tracts throughout the assessment area.

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

The following table indicates the performance level of **The Security National Bank of Enid** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	The Security National Bank of Enid 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 have been received since the March 25, 1996 CRA performance evaluation was issued.		

DESCRIPTION OF INSTITUTION

SNB is a \$143 million community bank located in Enid, Oklahoma. SNB is 100% owned by Security Financial Services Corporation, a one-bank holding company. SNB operates from its main bank location at 201 W. Broadway, a detached drive-in facility at 210 North Oakwood, and a full service branch at 201 West Maine all in Enid, Oklahoma. The bank also operates two full service automated teller machines (ATM) and one cash dispensing ATM. SNB's ATM customers may also utilize any ATM on the Cirrus, SCS or other major networks. Hours of operations are responsive to the general banking needs of the areas served.

SNB was last evaluated under the CRA on March 25, 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 its assessment area. Although SNB offers a wide variety of credit products, its primary focus has been one-to-four family and commercial real estate. On December 31, 1998, the loan portfolio distribution was as follows:

December 31, 1998 Loan Portfolio Distribution		
Loan Type	Amount (\$000)	Percent of Total
REAL ESTATE:		
Construction Land Development	5,123	6
Farmland	4,788	6
1-4 Family	20,931	25
Multifamily	0	-
Commercial	19,476	23
SUBTOTAL REAL ESTATE	50,318	60
LOANS TO DEPOSITORY INSTITUTIONS:	3,521	4
AGRICULTURE:	9,307	11
COMMERCIAL/ INDUSTRIAL:	13,141	16
CONSUMER:	7,150	8
OTHER:	515	1
TOTAL	83,952	100

Source: December 31, 1998 Consolidated Reports of Condition and Income

DESCRIPTION OF SNB's ASSESSMENT AREA

SNB's assessment area (AA) meets the technical requirements of the regulation and does not arbitrarily exclude (LMI) geographies/individuals. The Board of Directors has defined the institution's AA area as census tracts 1-10 of the Enid Metropolitan Statistical Area (MSA). The AA encompasses the entire city of Enid. Enid is located approximately 80 miles northwest of Oklahoma City, Oklahoma. There are three moderate-income tracts, six middle-income tracts, and one upper-income tract. There are no low-income census tracts in the AA. Enid, Oklahoma is the county seat of Garfield County. The AA has a population of 49,154.

Enid is a regional economic center for north central Oklahoma. The local economy is stable, yet heavily dependent on the largest civilian employer, Vance Air Force Base (1,311). Other major employers include: Northrop Worldwide Aircraft Services (1,100), Enid Board of Education (950), Integris Bass Baptist Health Center (925), Northern Oklahoma Resource Center (875), Advance Meat Company (759), and St. Mary's Mercy Hospital (654). Enid's most recent unemployment rate was listed at 3.08%.

There are ten additional commercial banks and one credit union operating within SNB's AA. Additional lending institutions include the Federal Land Bank and Farm Credit Association. Approximately 57% of the housing units, in the AA, are owner-occupied. The weighted average median housing value is \$38,125. The percentage of households on social security and below the poverty level are 29.75% and 14.84%, respectively. The weighted average MSA/Non MSA Updated Median family income for 1998 was \$35,300. The following table illustrates the percentage of families by their income level:

Family Income Level	Count	Percentage
Low Income	2,510	18%
Moderate Income	2,554	19%
Middle Income	3,307	24%
Upper Income	5,322	39%
Total	13,693	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 Coordinator of the Self-Employment and Entrepreneurial Development System (SEEDS) program for the Community Development Support Association of Enid, Oklahoma. Based on

information from this contact, a need for small business loans to low-income borrowers was identified.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

SNB's LTD ratio is considered **satisfactory** given the bank's size, financial condition, and considering the credit needs of the AA. The bank's LTD ratio averaged 56.97% since the March 25, 1996 performance evaluation. The peer group LTD ratio was 63.41% for the same period. The bank's peer group consists of three other commercial bank's headquartered in the assessment area, although there are actually 10 commercial banks and one credit union operating within the assessment area.

SNB's LTD ratio is below the peer group average. Bank management attributes this to the fact that a significant portion of their real estate loans are underwritten and sold to the secondary market. Since 1997, SNB has sold approximately \$5, 687M/year in real estate loans to outside investors. Adding back this dollar volume to the bank's existing loan portfolio brings its LTD ratio to 69.59% at year-end 1998. This percentage compares favorably to the peer group's year-end LTD ratio of 70.54%. According to bank management, SNB also has a higher percentage of public fund deposits than its competitors which is another attributing factor for the lower LTD ratio.

Lending in the Assessment Area

Based on a sample of loans reviewed since January 1998, we determined that a **majority** of SNB's loans were originated to applicants within the bank's AA. This determination was made after testing the accuracy of the bank's process of geo-coding loans reported under the Home Mortgage Disclosure Act (HMDA) and other consumer loans, and by sampling twenty small business/small farm loans. The table below reflects the lending practices for the captioned product types.

Lending Practices Within the Assessment Area				
Loan Type	# inside	% inside	\$ inside	% inside
Real Estate	304	83%	17,698M	81%
Consumer	1,005	86%	8,072M	84%
Small Business/Farms	10	50%	1,040M	48%
Aggregate	1,319	73%	26,810M	71%

Source: Bank Generated Reports & OCC Loan Sample

The percentage of loans to small businesses/small farms inside the AA was much lower than the

percentage of real estate and consumer loans inside the AA. This is primarily due to the fact that SNB's small farm loans are made in rural areas of Garfield county, not included in the AA. The Board of Directors is considering including tracts 11 and 12 of the Enid MSA in its AA. If these tracts were included, 80% of the small business/small farm loans sampled would have been in the AA.

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

SNB's lending patterns reflect **reasonable** distribution of loans among borrowers of different income levels and businesses of different sizes. As captioned below, 18% of the families within the AA are low-income and 19% are moderate-income. The percentage of real estate loans to low- and moderate-income families, since 1998, were 10% and 17%, respectively. Management attributes its less favorable penetration to low-income applicants to the fact that lower-income applicants are inclined to rent as opposed to owning their home. Approximately 28% of the housing stock in the AA is rental property. Also, 30% of the households are on social security and 15% of the households are below the poverty level. According to 1997 market share data, SNB lead the market after aggregating home purchase, refinance, and home improvement loans to low-income applicants. The market is comprised of 11 other financial institutions including much larger banks.

SNB's consumer lending pattern to low- and moderate-income applicants far **exceeds** the percentage of low- and moderate-income families in the AA. The chart below reflects the lending pattern for real estate and consumer loans to each family income category.

Percentage Distribution of Loans Reviewed Within the bank's Assessment Area by Income Level of the Borrower				
Area Median Family Income				\$35,300
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)	10	33	11	18
Moderate (50 to 80% of median income)	17	33	18	19
Middle (80 to 120% of median income)	22	14	21	24
Upper (Greater than 120% of median income)	51	20	50	39
Total	100	100	100	100

Source: Bank Generated Reports & OCC Loan Sample

SNB has a very **good** dispersion of loans to small businesses and small farms. Small businesses, as defined under the CRA, are businesses having gross annual revenue of \$1 million or less. The chart below reflects the lending pattern of small business/farm loans among farms and businesses of different revenue levels.

Distributions of Revenue for Small Business Loans Inside the Assessment Area		
Business Revenue	Small Business Loans	
	Number	Percent
< = \$100,000	8	80%
\$100,001 to \$250,000	1	10%
\$250,001 to \$500,000	0	0%
\$500,001 to \$750,000	1	10%
\$750,001 to \$1,000,000	0	0%
\$Over \$1,000,000	0	0%
Total:	10	100%

Source: OCC Loan Sample

Geographic Distribution of Loans

An analysis of the distribution of loans by income level of the census tracts revealed **reasonable** dispersion for SNB. There are three moderate-income level tracts, six middle-income level tracts and 1 upper-income level tract in the AA. There are no low-income census tracts in the AA or Garfield County. According to demographic data, 31% of the population lives in moderate-income census tracts. The bank's lending in moderate-income census tracts for real estate, consumer, and small business/small farm loans was 19%, 20%, and 10%, respectively. Bank management attributes its less favorable penetration in moderate-income census tracts for these product types to the fact that a disproportionate amount of the AA's households living below the poverty level and/or receiving public assistance reside in the moderate-income census tracts. Historically, these applicants have a much more difficult time qualifying for these products than higher-income applicants. According to 1997 market share data, SNB was the market leader in lending in moderate-income census tracts when aggregating home purchase, refinance, and home improvement loans. This is commendable given the fact there are much larger institutions operating within the assessment area. Small business/small farm lending is lower because the bank's AA is the city of Enid and typically small farm loans are made in rural areas.

Response to Complaints

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

Compliance with Fair Lending Laws and Regulations

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 the ECOA.