



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

April 28, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Idabel National Bank
Charter Number 11913**

**1201 Southeast Washington
Idabel, OK 74745**

**Comptroller of the Currency
ADC Marshall W. Mitchell
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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.

TABLE OF CONTENTS

| | |
|--|----------|
| <i>INSTITUTION'S CRA RATING</i> | <i>1</i> |
| <i>DESCRIPTION OF INSTITUTION</i> | <i>1</i> |
| <i>DESCRIPTION OF MCCURTAIN COUNTY.....</i> | <i>2</i> |
| <i>CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....</i> | <i>3</i> |

INSTITUTION'S CRA RATING:

This institution is rated Satisfactory.

Idabel National Bank (INB) has a satisfactory record of meeting community credit needs. This rating is based upon the following:

- ❖ A majority of loans sampled, representing 97% of the number and 96% of the dollar volume, originated within the bank's assessment area;
- ❖ The average loan-to-deposit ratio of 72% meets the standards for satisfactory performance;
- ❖ The geographic distribution of the sampled residential loans and commercial loans reflects an adequate dispersion to moderate-income census tracts within the assessment area;
- ❖ An adequate penetration of the farmland and commercial loans sampled was made to businesses with revenues of less than \$1 million; and
- ❖ The distribution of sampled home purchase loans to borrowers reflects an adequate penetration among families defined as low- and moderate-income.

DESCRIPTION OF INSTITUTION:

INB, a community bank, had total assets of \$77 million as of March 31, 2003. Southeast Capital Corporation, a one-bank holding company, wholly owns the bank. As of December 31, 2002, Southeast Capital Corporation has total assets of approximately \$11 million.

Currently, INB serves McCurtain County through one banking location at 1201 Southeast Washington. In November 2002, the branch located in the Lewis Food Center at 1500 Southeast Washington was temporarily closed because the grocery store went out of business. To accommodate those affected customers, management has extended the main offices' business hours. The bank also operates an automated teller machine at 1201 Southeast Washington. In addition, INB offers telephone banking through its TELLERphone.

INB is a full service institution, providing various deposit and loan products. Management's lending philosophy is to provide all types of loans to their community from one-to-four family residential mortgage loans to commercial and agriculture loans. The following table portrays the principal loan mix of INB:

| Loan Category | \$ (000) | % |
|---|-----------------|-------------|
| Residential Real Estate | 9,450 | 25 |
| Farmland | 7,179 | 19 |
| Commercial Real Estate | 7,042 | 19 |
| Commercial | 5,901 | 16 |
| Consumer | 5,894 | 16 |
| Construction & Development | 1,101 | 3 |
| Obligations of states and political subdivision in the U.S. | 569 | 2 |
| Other Loans | 311 | <1 |
| Total | \$37,447 | 100% |

INB was rated “Satisfactory” in its previous CRA public evaluation dated November 16, 1998. The bank continues not to have financial or legal obstacles that affect its ability to meet community credit needs. As of December 31, 2002, INB had a “net loans to total assets” ratio of 48%.

DESCRIPTION OF MCCURTAIN COUNTY

INB’s assessment area is McCurtain County. The bank’s assessment area meets the requirements of the regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas. The following table reflects the demographics for the assessment area (AA):

| DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA | |
|---|----------|
| <i>Population</i> | |
| Number of Families | 9,323 |
| Number of Households | 12,283 |
| <i>Geographies</i> | |
| Number of Census Tracts | 8 |
| # - % Low-Income Census Tracts | 0 (0%) |
| # - % Moderate-Income Census Tracts | 4 (50%) |
| # - % Middle-Income Census Tracts | 4 (50%) |
| # - % Upper-Income Census Tracts | 0 (0%) |
| <i>Median Family Income (MFI)</i> | |
| 1990 MFI for AA | \$24,139 |
| 1999 HUD-Adjusted MFI | \$32,700 |
| 2000 HUD-Adjusted MFI | \$33,300 |
| 2001 HUD-Adjusted MFI | \$34,000 |
| 2002 HUD-Adjusted MFI | \$34,200 |
| <i>Economic Indicators</i> | |
| Unemployment Rate | 9.2* |
| 2002 Median Housing Value | \$28,420 |
| % of Households on Social Security | 30% |
| % of Households Below Poverty Level | 31% |

*Based on February 2003 Bureau of Labor Statistics (BLS) Data for McCurtain County, OK

Occupied housing units represent 88% of the total available, with owner-occupied housing at 65%, rental-occupied housing at 24%, and vacant housing units are at 12%.

McCurtain County has seven financial institutions consisting of other national banks, branches of larger national and state banks, and a local credit union. In addition, the Edward D. Jones Investment Office and State Farm Insurance Company also provide loan-financing competition within the bank's assessment area. The economy of the area is generally stable. And, the City of Idabel is part of a federally designated Enterprise Community Zone that provides incentives for industrial development. The largest employers in the bank's assessment area are the Weyerhaeuser Company; Tyson Foods, Incorporated; SETCO Solid Tire & Rim; Pan Pacific Products; Wal-Mart; Bibler Brothers; and the independent school districts. The industries that have the largest number of employees are manufacturing, retail, health care, and social assistance.

The credit needs of the community were determined through interviews with individuals associated with Little Dixie Community Action Agency, Inc. The credit needs mentioned includes financing for moderate-income housing and small business loans. The community contacts indicated area financial institutions are supportive and are diligent in trying to meet the community's credit needs. However, local financial institutions could improve activities, which would support the housing needs of low- and moderate-income families.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

The December 31, 2002 Report of Condition indicates that the majority of INB's loan portfolio consists of residential real estate loans. The next largest distribution of loans is farmland and commercial real estate. We sampled these types of loans originated between November 16, 1998 and December 31, 2002. We did not select any loans originated from January 1, 2003 to May 5, 2003, due to 2000 Census information unavailability.

Overall, INB is meeting the standards of satisfactory performance. During this evaluation period, 1,344 loans were originated totaling \$41 million. The bank's strengths are lending within its assessment area and farmland loans made to borrowers in moderate-income areas.

Lending in Assessment Area:

Based on our review of INB's lending patterns, the bank exceeds the standards of satisfactory performance. Our sample of 20 home purchase loans, 20 farmland loans, and 20 commercial loans revealed 97% of the number were originated within the bank's assessment area, while \$5.6 million or 96% of the dollar amount originated within the bank's assessment area.

| TOTAL LOANS REVIEWED | | | | | | | | |
|-----------------------|--------------------|-----------|--------------|-----------|------------------------|----------|------------|----------|
| LOAN TYPE | IN ASSESSMENT AREA | | | | OUT OF ASSESSMENT AREA | | | |
| | # | % | \$ (000s) | % | # | % | \$ (000s) | % |
| Home purchase | 20 | 100 | 895 | 100 | 0 | 0 | 0 | 0 |
| Farmland | 20 | 100 | 1,537 | 100 | 0 | 0 | 0 | 0 |
| Commercial RE | 18 | 90 | 3,207 | 94 | 2 | 10 | 212 | 6 |
| Total Reviewed | 58 | 97 | 5,639 | 96 | 2 | 3 | 212 | 4 |

Loan-to-Deposit Ratio:

INB's loan-to-deposit (LTD) ratio averaged 72% during our evaluation period. Given the bank's size, financial condition, and assessment area credit needs, the bank meets the standard for satisfactory performance. Information for these financial institutions is detailed in the following table:

| Institution | Assets ('000's) As of 12/31/2002 | Average LTD Ratio |
|------------------------------------|-------------------------------------|----------------------|
| National Peer Group for | 50,000 – 100,000 | 69% |
| First State Bank | 31,634 | 89% |
| McCurtain County National Bank | 90,793 | 71% |
| 1 st Bank & Trust | 78,405 | 71% |
| American State Bank | 44,751 | 64% |
| First State Bank of Idabel | 49,640 | 60% |
| <i>Idabel National Bank</i> | <i>76,707</i> | <i>72%</i> |

Geographic Distribution of Loans:

INB has a reasonable dispersion of loans within its assessment area. The number and dollar volume of residential loans made to moderate-income census tracts is good, as detailed in the following table:

| RESIDENTIAL LOANS | | | | |
|---------------------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level | MODERATE | | MIDDLE | |
| % of AA Owner Occupied | 50.1 | | 49.9 | |
| LOANS | % of Number | % of Amount | % of Number | % of Amount |
| Home Purchase | 40 | 39 | 60 | 61 |

Home purchase sample = 20 loans totaling \$895 thousand

The number and dollar volume of the sampled farmland loans made to moderate-income census tracts is excellent in comparison to the percentage of businesses within the assessment area. The number of commercial loans made to the moderate-income census tracts is also adequate in comparison to the percentage of businesses within the assessment area, as can be seen in the following table:

| BUSINESS LOANS | | | | |
|---------------------------|-------------|-------------|-------------|-------------|
| Census Tract Income Level | MODERATE | | MIDDLE | |
| % of AA Businesses | 27 | | 73 | |
| LOANS by Type | % of Number | % of Amount | % of Number | % of Amount |
| Farm | 40 | 31 | 60 | 69 |
| Commercial RE | 18 | 16 | 82 | 84 |

Farm loans sampled = 20 loans totaling \$1.5 million

Commercial real estate loans sampled = 28 loans totaling \$3.9 million

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

The bank meets the standard for satisfactory performance in lending to borrowers of different incomes and to businesses of different sizes.

We reviewed all of the home purchase loans made during this evaluation period, which originated within the bank's assessment area. INB's home purchase lending to low-income borrowers is deemed adequate based on the demographics of the assessment area. The number of home purchase loans to moderate-income borrowers is good. Overall, the bank's penetration to low- and moderate-income borrowers meets the standards for satisfactory performance when compared to the percentage of low- and moderate-income families within the assessment area as seen in the following table:

| HOME PURCHASE LOANS | | | | | | | | |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Borrower Income Level | LOW | | MODERATE | | MIDDLE | | UPPER | |
| % of AA Families | 30 | | 18 | | 20 | | 32 | |
| LOANS by TYPE | % of Number | % of Amount |
| Total | 14 | 7 | 24 | 15 | 20 | 19 | 42 | 59 |

Home purchase loans sampled = 71 loans totaling \$2.8 million

The smaller penetration of home purchase loans to low-income borrowers is attributed to a substantial portion of the bank's assessment area being on a fixed-income. The requirements of closing costs and down payments are more feasible for middle- and upper-income borrowers when purchasing a home. Typically, borrowers with higher incomes are able to produce these funds, which many lower income borrowers are unable to do.

Moreover, INB has originated an adequate number of loans to businesses with revenues of less than \$1 million. We reviewed a sample of 20 farmland and all the commercial real estate loans originated within the bank's assessment area. The dollar volume of these loans equaled \$5.3 million. Of the loans sampled, 43 or 90% were made to businesses with revenues of less than \$1 million. These loans totaled \$3.6 million.

Qualified Investments and Community Development Loans:

Qualified investments are investments, deposits, membership shares, or grants that have as their primary purpose “community development”, as defined in the Community Reinvestment Act regulation. During this evaluation period, INB had a total of \$342,487 in qualified investments. These investments consisted of revenue bonds, which provided funds to enlarge, extend and improve water, sewer, and street systems for the city of Idabel.

Community development means affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration’s Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

The bank made 11 community development loans totaling \$1.9 million. A majority of these loans qualified because the City of Idabel is part of a federally designated Enterprise Community Zone.

Responses to Complaints:

INB has not received any CRA related complaints during this evaluation period.

Fair Lending Review:

An analysis of four years public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. We found no evidence of illegal discrimination or other illegal credit practices. 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 1998.