



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

December 31, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Texhoma
Charter #8852
P. O. Box 649
Texhoma, Oklahoma**

**Comptroller of the Currency
500 N. Akard, 1600 Lincoln Plaza
Dallas, Texas**

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 **First National Bank of Texhoma** prepared by the Comptroller of the Currency, the institution's supervisory agency, as of February 2, 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.

This rating is based on our review of lending practices and other efforts to comply with the CRA. Our findings below indicate the commitment of First National Bank of Texhoma (FNB) to the principals of CRA:

- ▶ The loan-to-deposit ratio is almost 78% as of the examination and historically has averaged over 70% since our last review. This is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- ▶ A substantial majority, 88% by number and 70% by volume, of originated loans are to borrowers within the Assessment Area (AA).
- ▶ Loans are extended to borrowers from all counties of the AA. File review indicates that a reasonable level of credit is extended to borrowers with different income levels and to businesses and farms with different revenue levels.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK OF TEXHOMA 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	Because no low- or moderate-income areas exist in any of the counties of the AA, geographic distribution is considered less significant in determining performance. Therefore, it was not tested.		
Response to Complaints	No complaints regarding performance under the CRA were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank of Texhoma (FNB) is a \$45 million institution located in Texhoma, Oklahoma, which is on Highway 54 at the Texas-Oklahoma border approximately 20 miles southwest of Guymon, Oklahoma. Texhoma is in Texas County of Oklahoma and Sherman County of Texas. The main bank facility is in Texhoma, Oklahoma, and the bank operates one branch in nearby Goodwell, Oklahoma. Customers also have access to their deposit accounts through two ATM's, one in each town where the bank is located. The bank is owned by Texhoma Bancshares, a one-bank holding company owned primarily by the Freeman family. FNB's was last reviewed for performance under CRA in August, 1994.

FNB offers its customers a wide range of services from the two locations. Although agriculture lending is the primary credit facility, the bank also provides loans for commercial real estate and operating lines and consumer purpose loans such as residential real estate, auto, and home equity loans. FNB operates the only bank in Texhoma and Goodwell, but there are banks in other nearby communities, especially Guymon, which provide similar services to the communities.

As of December 31, 1997, loans represent 64% of total assets. Table 1 below shows the composition of the loan portfolio at that date:

Table 1 - LOAN PORTFOLIO COMPOSITION

TYPE OF LOAN	GROSS BALANCE (000'S)	% OF PORTFOLIO
AGRICULTURAL	17,532	56.22%
REAL ESTATE	7,225	23.17%
CONSUMER	3,881	12.44%
COMMERCIAL	2,481	7.96%
OTHER	68	0.22%
TOTAL	31,187	100.00%

Source: Uniform Bank Performance Report (UBPR) as of December 1997

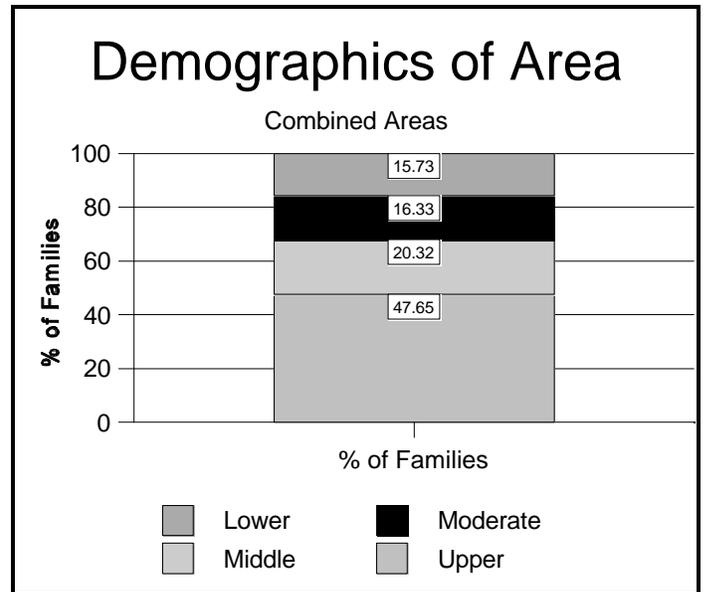
DESCRIPTION OF THE ASSESSMENT AREA

The Assessment Area (AA) consists of four counties, Sherman and Hansford in Texas and Cimarron and Texas in Oklahoma. The AA meets requirements of the regulation by

including whole geographies where the bank has its branches and does the majority of its lending. No low- or moderate-income areas have been arbitrarily excluded.

Census data shows that there are twelve block numbering areas (BNA's) in these counties. Ten are middle-income areas while two are designated as upper-income. No low- or moderate-income areas are identified in the AA, and the average of median incomes for the two-state AA is slightly above \$31 thousand. As depicted in Chart A, approximately 16% of the families in the AA are designated as low-income, another 16% are moderate-income, 20% are middle-income, and 48% are upper-income. A significant increase in operations by several area hog producers has resulted in a rise in the population and the level of employment. It is anticipated that the next census will show notable growth in both these areas.

Chart A



Farming or agricultural operations are the primary employers in the area. Hog production operations such as Hitch, Seaboard, and Vall have each hired as many as 200 employees to staff their plants. A number of area residents are also employed by the school systems including the college at Goodwell.

The primary funding need in the AA continues to be agricultural operating and real estate credit. Businesses have need for operating and commercial real estate credit. The rise in population and income has also caused an increase in the need for funding of residential real estate purchases or other real estate loans, automobile purchases, and other consumer purpose loans. Table 1 above shows that FNB has addressed these needs. In comparison with 1996 loan balances, increases are noted in agriculture, real estate, and consumer loan categories.

There are no legal constraints to FNB's lending practices. The bank has limited residential real estate loans primarily to the Texhoma and Goodwell areas to provide resources for the increased needs of agricultural borrowers.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio.

FNB's loan to deposit (LTD) ratio is more than reasonable and surpasses the standard for satisfactory performance in this category. We reviewed FNB's LTD ratio since the last examination and found that it has averaged in excess of 70% since the 1994 examination. As of December, 1997 it approximated 78%. FNB's LTD exceeds that of the banks in its normal peer group which are at 69% at the same time period. We also observed the lending levels of some other banks in the area and noted that they averaged historically from 60% to 65% LTD. We observed that FNB holds approximately 7.5% of total deposits in the four counties and almost 14% of total deposits in Texas County.

Lending in the Assessment Area

FNB lends primarily within its AA. The level of lending inside the AA exceeds the standard for satisfactory performance under this criteria. We reviewed bank reports which reflect loans inside and outside the AA. Table 2 below shows the level of lending within the AA. It reflects both the number of loans and dollars of loans extended for the portfolio in total and includes a summary of loans originated since January, 1997.

Table 2 - Level of Lending Inside the Assessment Area

COUNTY	CODE	ORIGINATED				OUTSTANDING BALANCE			
		#	%	\$	%	#	%	\$	%
CIMARRON, OK	1000	22	2%	1,473	6%	26	2%	2,298	8%
TEXAS, OK	2000	747	63%	10,799	43%	750	61%	14,783	49%
SHERMAN, TX	3000	226	19%	3,478	14%	253	21%	4,069	14%
HANSFORD, TX	4000	49	4%	2,001	8%	51	4%	2,778	9%
TOTAL IN AA		1,044	88%	17,751	70%	1,080	88%	23,928	80%
OUTSIDE AA	9999	148	12%	7,614	30%	154	12%	6,043	20%
TOTAL LOANS		1,192	100%	25,365	100%	1,234	100%	29,971	100%

Outstanding loans as of February, 1998; loans originated since January, 1997

The majority of the loans are originated in Texas County, Oklahoma and Sherman County, Texas, near the bank's two offices. We also noted that a large volume of the loans extended outside the AA are to borrowers in counties just outside the AA or are loan participations purchased from correspondent banks. This further demonstrates FNB's commitment to meeting the credit needs of the local area.

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

Based on file information from loans originated in January 1998 and data from the bank's June 1997 Call Report, we determined that FNB's distribution of loans to business and farms of different sizes is reasonable. However, we were unable to determine from our sample review of consumer loans the extent of lending to borrowers of different income

levels. Income information in the files for consumer loans was inadequate to draw firm conclusions about the true level of lending to borrowers with different income levels.

FNB has developed a residential real estate loan program which enables low- to moderate-income applicants to purchase lower cost residences with minimal down payment and closing costs. The bank reports limited response to this product because of the limited availability of lower cost residences in the area.

Information from the June 1997 Call Report reflects a reasonable level of loans to businesses and farms of different sizes. A summary of this information is below.

Table 3 - Small Loans to Farms and Businesses

LOANS TO	≤ 100M	>100≤250	>250 - ≤500	>250 - ≤1,000
BUSINESSES	1,698	1,221		43
FARMS	1,460	3,289	2,751	

Balances as of June 30, 1997

The results of a concurrent Fair Lending examination had no adverse impact on CRA performance ratings. No evidence was found to indicate illegal discrimination or disparate treatment of borrowers. The bank has training and review practices in place to ensure that FNB remains in compliance with antidiscrimination laws, and our review did not identify significant violations of these laws.

Geographic Distribution of Loans

A review of geographic distribution of loans is not meaningful due to the limited number of geographies and absence of any low- or moderate-income areas.

Response to Complaints

There were no complaints received since the last examination regarding FNB's performance under CRA based on our review of the Public File and discussions with bank personnel.