



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 17, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Farmers and Merchants National Bank of Fairview
Charter Number 9767**

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Fairview, OK 73737

Comptroller of the Currency
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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 bank.

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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 CRA performance of The Farmers and Merchants National Bank of Fairview, Fairview, Oklahoma as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of January 17, 2002. 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.

A Satisfactory rating is appropriate based on the bank's demonstrated ability to meet the credit needs of the community. Specifically:

- A majority of the bank's loans are made within the assessment area.
- The bank's loan to deposit ratio is reasonable when compared to banks of similar size and characteristics in the trade area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and business of different sizes.
- The geographic distribution of loans is satisfactory throughout the assessment area.

The Farmers and Merchants National Bank in Fairview, Oklahoma is committed to serving the community and demonstrates satisfactory lending performance.

DESCRIPTION OF INSTITUTION

The Farmers & Merchants National Bank, an affiliate of Fairview Bancshares, Inc., is located in Fairview, Oklahoma. The main bank and drive-in facility are located in downtown Fairview. The bank has one Automated Teller Machine located on premise. There are no branches. The bank's primary focus is to serve agricultural, consumer and commercial customers in Fairview and surrounding areas. The bank meets these needs by providing various loan and deposit products, as well as other financial services.

As of September 30, 2001, the bank's total assets equaled \$53.7 million, of which \$24.5 million, or 46 percent, was composed of various loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consisted of the following.

Loan Category	\$ (000)	%
Real Estate Loans	11,191	45.77
Commercial Loans	4,411	18.03
Agriculture Loans	5,381	22.01
Consumer Loans	3,469	14.19
Total	24,452	100.00

In addition to the loans held by Farmers and Merchants National Bank, the bank also originates long-term mortgage loans through secondary market investors. In 2001, the bank originated and sold 9 mortgage loans totaling \$466,039.

There are no known factors which have or may potentially impede the bank's ability to meet the credit needs of its assessment area. The bank received an overall rating of Satisfactory at the last Community Reinvestment Act examination dated January 21, 1997.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income areas. The assessment area is described in more detail below.

Farmers and Merchants National Bank Assessment Area

The assessment area is identified as Major County consisting of three Block Numbering Areas (BNA) #9551, #9552, and #9553. This territory is not located in a Metropolitan Statistical Area (MSA). The city of Fairview is located in BNA #9553. Based on 1990 census data, the United States Census Bureau identifies two BNA's #9552 and #9553 as middle-income BNA's and #9551 as an upper-income BNA.

The United States Census Bureau information as of 1990 reflected a total population of 8,055 in Major County. The area contained 3,855 housing units with 2,522 or 65 percent owner occupied. Additionally, there are 3,077 households and 2,330 families in the county. Seventy-one percent of the households derive their income from wages and salaries. The largest employment sectors were farming and service related entities.

The assessment area is served by two other chartered banks located in Meno and Cleo Springs, Oklahoma. Fairview is also serviced by a savings association and a branch of an out of area bank.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	2,330
Number of Households	3,077
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	2
% Upper-Income Census Tracts/BNA	1
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	24,139
1990 HUD-Adjusted MFI	34,000
Economic Indicators	
Unemployment Rate	2.06%
1990 Median Housing Value	40,853
% of Households Below Poverty Level	15.89%

As the above table depicts, the assessment area is made up of two middle- and one upper-income BNA's. There are no low- or moderate-income BNA's in the assessment area. Of the 2,330 families, 15.4 percent are low income, 17.1 percent are moderate income, 19.6 percent are middle income, and 47.9 percent are upper income. Agriculture remains the primary industry with small grain (wheat) and livestock (cattle) the main cash commodities being produced in the area. Major employees in the area consist of Fairview Public Schools, Northwest Technology Center, and Fairview Municipal Hospital. The area also has several steel fabricating and oil and gas related businesses.

A community contact was made during this review. The contact emphasized Farmers and Merchants community development efforts. The bank is recognized as the leader in the community in terms of recruiting and establishing new businesses to the community. Employees and Directors contribute their time and talents to many community development groups working for the benefit of the citizens of the area. This includes the Chamber of Commerce, Major County Economic Development and many others. This involvement helps to keep the employees and Directors in tune with the financial service needs of the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

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

Loan-to-Deposit Ratio

The loan-to-deposit ratio is satisfactory given the institution's size, financial condition, and assessment area credit needs. This determination is based on the bank's quarterly average loan to deposit ratio from December 31, 1998 through September 30, 2001 of 48.69 percent. The low ratio for the period was 45.05 at December 31, 1998. The high ratio for the period was 52.60 percent at September 30, 2001.

The average loan-to-deposit ratio for the 27 chartered banks operating in the Major County and the surrounding counties at September 30, 2001 was 59.58 percent. Ratios for this group ranged from 26 percent to 98 percent. The average loan-to-deposit ratio for the four similarly situated banks in the area (listed in the table below) was 45.31 percent at September 30, 2001.

Institution	Assets as of 09/30/2001 \$ (000)	Average LTD Ratio
Cleo State Bank, Cleo Springs	31,520	35.09
First National Bank, Okeene	71,623	44.80
State Guaranty Bank, Okeene	30,586	31.17
Community NB, Okarche	38,887	70.17
<i>F&M NB of Fairview</i>	<i>53,693</i>	<i>48.79</i>

Lending in Assessment Area

Lending within the assessment area exceeds the standards for satisfactory performance. The table below showing sampled loans and the bank's internal data reflects a majority of credit is extended within the assessment area.

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Real Estate	26	84%	1,285	78%	5	16%	366	22%
Ag/Commercial	21	95%	3,981	85%	3	5%	678	15%
Installment	34	85%	256	84%	6	15%	49	16%
Total Reviewed	81	85%	5,522	83%	14	15%	1,093	17%

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

Farmers and Merchants National Bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. The following tables represent a reasonable distribution of lending based on the random sample of 34 consumer loans, 26 residential real estate loans, and 21 commercial and agricultural loans.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families ¹	15.40		17.10		19.60		47.90	
Sample Disbursement	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	15.38	7.11	23.08	18.05	34.62	27.09	26.92	47.74

The number and amount of residential real estate loans extended to low-and moderate-income families compares favorably to the percentage of those families represented in the assessment area.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households ²	19.00		15.60		15.40		50.00	
Sample Disbursement	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	8.82	2.23	23.53	18.51	38.24	42.73	29.41	36.54

The number and amount of consumer loans extended to low-and moderate-income households compares reasonably to the percentage of those households represented in the assessment area.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses ³	92.76	7.24
% of Bank Loans in AA #	100%	0
% of Bank Loans in AA \$	100%	0

The sample of 21 commercial/agricultural loans revealed that all were extended to entities with annual gross revenues of less than \$1 million per year.

Other information demonstrating the bank's innovativeness and proactiveness in lending to small farms and businesses is its active participation in the guaranteed loan programs offered by the Farmers Service Administration (FSA), State Treasurer's Linked Deposit Program, and the Small Business Administration (SBA). As of September 30, 2001 there were 12 farm customers with FSA Guaranteed, Interest Assisted loans totaling \$2.5 million and 3 customers utilizing the Linked Deposit program with balances of \$400 thousand. There were also 2 customers utilizing Small Business Administration guarantees with balances of \$154 thousand.

Geographic Distribution of Loans

Farmers and Merchants National Bank reflects a reasonable distribution of loans throughout the assessment area. There are no low- or moderate-income BNA's in the assessment area. While management does not geo-code loans by block numbering area, they do code loans by zip code. City and zip code information was used for the sampled consumer, residential, and agriculture loans to assess the geographic distribution of loans extended. The results reflected 57 percent of the loans and 61 percent of the dollar amount were extended to borrowers residing in BNA #9553. This concentration is logical as this BNA encompasses and surrounds the town of Fairview, Oklahoma. The remainder of loans are extended to BNA's #9551 and #9552 at 8 percent (9 percent in dollars) and 14 percent (11 percent in dollars), respectively. These BNA's are sparsely populated rural areas. BNA #9551 is an upper income BNA and BNA's #9552 and #9553 are middle-income.

Responses to Complaints

There have been no consumer complaints regarding the bank's Community Reinvestment Act performance during the evaluation period.

Fair Lending Review

An analysis of 1997-2001 public and consumer complaint comments was performed. The bank has a good history of complying with anti-discrimination laws. Based on the 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.