

Comptroller of the Currency  
Administrator of National Banks

PUBLIC DISCLOSURE

June 30, 1997

COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION

The Peoples National Bank of Checotah  
Charter Number 10051

300 West Gentry  
Checotah, Oklahoma 74426

Comptroller of the Currency  
7134 South Yale, 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 Peoples National Bank of Checotah prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of June 30, 1997. 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 performance evaluation covers the period from August 29, 1994 to June 30, 1997. The rating is supported by the following facts.

- ▶ The average quarterly loan to deposit ratio is satisfactory.
- ▶ A majority of loans are within the assessment area.
- ▶ Loans are reasonably disbursed among borrowers of different income levels.
  - ▶ A majority of commercial loans are to small businesses and small farms.

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

SMALL  
INSTITUTION  
ASSESSMENT  
CRITERIA

The Peoples National Bank of Checotah  
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 regarding CRA performance were received since the previous examination.

DESCRIPTION OF INSTITUTION:

The Peoples National Bank of Checotah (PNB), located in Checotah, Oklahoma, was chartered in 1911. It is a locally owned and operated community bank with total assets of \$85 million. PNB is 100% owned by Peoples National Bancshares of Checotah, Inc., a one-bank holding company. Peoples Community Development Corporation (CDC), a wholly owned subsidiary of PNB, was formed in 1996 to primarily assist with rebuilding a section of downtown destroyed by fire. PNB serves its market with a main office and one branch location (two blocks north of the main office). PNB has two full service automated teller machines (ATM's). One of the ATM's is located in the local Wal-Mart shopping center.

The bank offers a wide array of lending products. PNB's primary business strategy focuses on automobile, commercial and residential real estate, agricultural, and other types of consumer credit. The bank also makes loans guaranteed by the Small Business Administration (SBA). A comparative breakdown of the loan portfolio is as follows:

Table 1

	LOAN TYPE
	6/30/97
	\$ VOLUME
	(millions)
	% OF
	PORTFOLIO
	6/30/94
\$ VOLUME	(millions)
	% OF
	PORTFOLIO
1-4 Family	8.6
	26.4
6.2	
21.6	
Commercial	
Real Estate	
3.6	
	11.0

	2.5
	8.7
Commercial	
5.8	
17.8	
	8.2
	28.5
	Consumer
	12.9
39.6	
	10.2
	35.6
	Other
	1.7
	5.2
	1.6
	5.6
	TOTAL
	\$32.6 million
	100%
	\$28.7 million
	100%

Source: Uniform Bank Performance Report

#### DESCRIPTION OF ASSESSMENT AREA:

PNB designates its assessment area as portions of Muskogee, Okmulgee, and McIntosh Counties encompassing a total of 9 census tracts. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The 1990 U.S. Census median family income for the area is \$24,139 while the 1996 HUD updated MSA median family income is \$28,600. According to housing data, there are 15,933 housing units in the bank's assessment area of which 58% are owner occupied, 16% are rental occupied, and 26% are

vacant. The following chart breaks down the census tracts by income level.

Table 2

	TRACT INCOME LEVEL
	COUNT
	%
Low	0
	0
Moderate	2
	22
Middle	7
	78
Upper	0
	0
Not Applicable	0
	0
TOTAL	9
	100

Source: 1990 Census

The following chart reflects the income distribution of families living in the assessment area.

Table 3

FAMILY INCOME LEVEL  
% OF TOTAL FAMILIES

Low	26
Moderate	19
Middle	21
Upper	34

Source: 1990 Census

The local economy is fair and stable. According to management, the unemployment rate has remained steady at almost 6%. Major employers in the area and number of employees include Authentic Fitness (156), Flying J Travel Plaza (150 - all shifts), Aluminum Service Corp. (101), Wal-Mart (100), and G.L.N., Inc. (60). There are 11 other financial institutions within the assessment area with the strongest competition coming from the Muskogee and Eufaula markets. Muskogee is 20 miles north and Eufaula is 15 miles south of Checotah.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The bank's average loan-to-deposit ratio since the August 29, 1994 performance evaluation is 46%. The bank's loan-to-deposit ratio as of June 30, 1997 equaled 44% compared to an average of 57% for the custom peer group. Custom peer consists of 11 financial institutions operating within the assessment area. The average ratio for only those banks in the Muskogee and Eufaula markets is approximately 50%. The bank's ratio remained relatively consistent during this evaluation period and is considered satisfactory given the bank's size, financial condition, and demographic and economic factors. Additional activities to supplement the bank's lending performance include: (1) a 250M investment in the CDC to help rebuild the downtown business district and promote economic development, and (2) the underwriting of longer-term fixed rate residential loans that are sold to the secondary market. The bank has made 10 loans totalling

roughly \$500 thousand since establishing the program less than six months ago.

### Lending in the Assessment Area

Lending within the assessment area is a high priority for PNB. According to a bank generated report, 87% of the loans currently on the books have been made within the assessment area. We reviewed a sample of 30 real estate, consumer, and commercial loans and agree with the bank's conclusion that a high percentage of lending is within the assessment area. The following chart is a summary of our analysis.

Table 4

### Lending in the Assessment Area (\$'s in 000's)

#### LOAN TYPE

# INSIDE  
% INSIDE  
\$ INSIDE  
% INSIDE

#### Real Estate

10  
100%  
416  
100%

#### Consumer

10  
100%  
58  
100%

#### Commercial

10  
100%  
707  
100%

#### Total

30

100%  
1,181  
100%

Source: Loan sample reviewed during the examination.

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

The distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable given the demographics of the assessment area. Management has been tracking the volume of loans by income level for almost six months. Lending activity during this time period reflects 17% of all loans were made to low income borrowers and 26% were made to moderate income borrowers. As illustrated in table 3, low and moderate income families represent 45% of the families living within the assessment area. In addition, approximately 75% of the residential portfolio are loans with original balances below \$25,000. These factors support the bank's willingness to lend to borrowers with different income levels.

According to management, the majority of the commercial and agricultural businesses in the assessment area are categorized as "small" based on annual revenues. This is supported by the bank's analysis which shows that 81% of the commercial portfolio consists of businesses or farms that generate less than 1 million in annual revenues. The following chart summarizes the bank's analysis:

Table 5

### Distribution of Business/Farm Loans by Revenue (\$'s in 000's)

LOAN TYPE  
TOTAL  
REVENUE < 1 MILLION  
PERCENTAGE

Cattle  
2,024  
2,024  
100%

Farm Equipment  
1,138  
1,138  
100%

Commercial  
2,726  
1,471  
54%

Commercial Real Estate  
2,207  
1,938  
88%

Total  
8,095  
6,571  
81%

Source: Bank report.

We reviewed 10 commercial and agricultural loans to verify this data and found that 90% were to businesses or farming operations with annual revenues of less than 500M. This distribution supports the conclusion that PNB is committed to small business lending.

#### Geographic Distribution of Loans

The distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank's analysis revealed loan penetration in every census tract within the assessment area. As expected, the majority of loans are centered in Checotah where the main banking office is located. There are no low income census tracts within the assessment area. Management did not arbitrarily exclude low or moderate areas when defining the bank's assessment area.

#### Response to Complaints

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

#### Compliance with Fair Lending Laws and Regulations

An evaluation of the bank's compliance with fair lending laws and regulations was conducted as part of a concurrent compliance examination. Based on this evaluation, the bank is in compliance with the substantive provisions of these laws and regulations.