



---

Comptroller of the Currency  
Administrator of National Banks

---

Southwestern District Office  
1600 Lincoln Plaza  
500 North Akard  
Dallas, TX 75201-3394

PUBLIC DISCLOSURE

COMMUNITY REINVESTMENT ACT PERFORMANCE  
EVALUATION

July 11, 1996

State Bank and Trust, N. A.  
Charter No.18368  
502 South Main Mall  
Tulsa, Oklahoma 74103

<p><b>NOTE:</b> 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.</p>
---

## GENERAL INFORMATION

This document is an evaluation of the Community Reinvestment Act (CRA) performance of State Bank and Trust, N.A. prepared by the Office of the Comptroller of the Currency (OCC), the institution's supervisory agency.

The evaluation represents the OCC's current assessment and rating of the institution's CRA performance based on an examination conducted as of July 11, 1996. It does not reflect any CRA-related activities that may have been initiated or discontinued by the institution after the completion of the examination.

The purpose of the Community Reinvestment Act of 1977 (12 U.S.C. 2901), as amended, is to encourage each financial institution to help meet the credit needs of the communities in which it operates. The Act requires that in connection with its examination of a financial institution, each federal financial supervisory agency shall (1) assess the institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution, and (2) take that record of performance into account when deciding whether to approve an application of the institution for a deposit facility.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989, Pub. L. No. 101-73, amended the CRA to require the Agencies to make public certain portions of their CRA performance assessments of financial institutions.

### Basis for the Rating

The assessment of the institution's record takes into account its financial capacity and size, legal impediments and local economic conditions and demographics, including the competitive environment in which it operates. Assessing the CRA performance is a process that does not rely on absolute standards. Institutions are not required to adopt specific activities, nor to offer specific types or amounts of credit. Each institution has considerable flexibility in determining how it can best help to meet the credit needs of its entire community. In that light, evaluations are based on a review of 12 assessment factors, which are grouped together under 5 performance categories, as detailed in the following section of this evaluation.

## GLOSSARY OF TERMS AND COMMON ABBREVIATIONS

The following terms and abbreviations are used throughout this Performance Evaluation.

**Metropolitan Statistical Area (MSA)**- Area consisting of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Census Tract** - Small, locally defined statistical areas within a MSA. These are determined by the United States Census Bureau in an attempt to group homogeneous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

**Median Family Income**- The median income determined by the United States Census Bureau. This figure is based on estimations developed by the Department of Housing and Urban Development and is updated annually.

**Low- and Moderate-Income (LMI)**- Income levels which are less than 80% of the median family income.

**Community Reinvestment Act (CRA)**- A statute that requires federal regulators to evaluate a financial institution's lending performance in light of the credit needs in the institution's local community. The regulator must also evaluate whether the institution's defined community is reasonable. [THIS IS A GENERIC DESCRIPTION OF THE BANK'S REQUIREMENTS AND NOT A LEGAL EXPLANATION OF THE REQUIREMENTS CONTAINED IN 12 U.S.C. 2901, AS AMENDED AND 12 C.F.R. 25, AS AMENDED.]

**Home Mortgage Disclosure Act (HMDA)**- A statute that requires certain mortgage lenders that do business or have banking offices in MSA's to file annual summary reports of their lending activity. The reports include such data as the race, gender, and the income of the applicant (s), the amount of loan requested and its disposition (e.g. made, turned down, withdrawn). The types of loan applications reported include governmentally-guaranteed home purchase loan and home improvement loans, conventional home purchase loans, home improvement loans, refinancing of home purchase loan and home improvement loans and loans for the purchase of multi-family (5 or more units) dwellings. [THIS IS A GENERIC DESCRIPTION OF THE BANK'S REQUIREMENTS AND NOT A LEGAL EXPLANATION OF THE REQUIREMENTS CONTAINED IN 12 U.S.C. 2801, AS AMENDED AND 12 C.F.R. 203, AS AMENDED.]

**State Bank and Trust, N. A.** - The bank will be referred to as State Bank throughout this Evaluation.

## ASSIGNMENT OF RATING

### Identification of Ratings

In connection with the assessment of each insured depository institution's CRA performance, a rating is assigned from the following groups:

#### Outstanding record of meeting community credit needs.

An institution in this group has an outstanding record of, and is a leader in, ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### Satisfactory record of meeting community credit needs.

An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### Needs to improve record of meeting community credit needs.

An institution in this group needs to improve its overall record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

#### Substantial noncompliance in meeting community credit needs.

An institution in this group has a substantially deficient record of ascertaining and helping to meet the credit needs of its entire delineated community, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

## DISCUSSION OF INSTITUTION'S PERFORMANCE

Institution's Rating:

Based on the findings presented below, this institution is rated: “Satisfactory Record of Meeting Community Credit Needs”.

This evaluation covers the period June, 1994 through July 11, 1996. The purpose of CRA is to ensure that financial institutions help meet the credit needs of their local communities. State Bank's CRA performance is rated satisfactory because:

- The bank's volume of residential lending (home purchase, home improvement, refinance) is considered reasonable in relation to its size and resources.
- A significant portion of the bank's commercial loan portfolio is composed of loans to small businesses and SBA lending continues to increase.
- Geographic dispersion of loans is reasonable throughout its delineated community.
- The bank is making loans through and contributions to organizations that serve LMI people and promote economic development in underserved areas of Tulsa County.

### Reasonableness of Delineated Community

State Bank's delineated community is reasonable and does not arbitrarily exclude any LMI areas. The bank has delineated its community as all census tracts in Tulsa County. This community delineation has recently been expanded based on the bank's analysis of its lending patterns. Approximately 25% of the bank's loans are outside Tulsa County. This is not considered unreasonable based on the fact that some of these loans are participations with other financial institutions and the result of acquisition of another financial institution in 1994. This evaluation is based on the bank's performance in Tulsa County.

## COMMUNITY PROFILE

### Tulsa

Tulsa is the largest city in the Tulsa MSA and is located in the Northeastern part of Oklahoma approximately 100 miles from Oklahoma City. The Tulsa MSA (#8560) has a population of 720,000. The Tulsa MSA has the second largest concentration of people in Oklahoma.

Tulsa County has 158 census tracts with income levels as follows: 44 Upper income tracts (28%), 62 Middle income tracts (25%), 39 Moderate income tracts (25%) and 11 Lower income tracts (7%). Income tracts are defined as follows: Upper (income is greater than 120% of median income), Middle (80%-119% of median income), Moderate (50%-79% of median income), Low (less than 50% of median income).

The median family income for Tulsa County in 1990 was \$33,000 and is estimated to be \$37,500 in 1996. Based on the 1990 census bureau data approximately 20% of the county population is considered low income (less than 50% of median income), 17% is moderate income (50%-79%) and the remainder with incomes greater than 80% of median income.

The area has experienced slow population growth (2%) from 1980 to 1990. Tulsa has improved over the past five years and unemployment has declined below the national average due to job growth in manufacturing, retail and general services. Residential construction is active.

## BANK PROFILE

State Bank and Trust, N.A. is located in Tulsa, Oklahoma and reported total assets of \$405 million as of December 31, 1995. The bank is part of the multi-bank holding company, Arvest Bank Group, Inc., which is headquartered in Lowell, Arkansas. In addition to the main office in downtown Tulsa, State Bank operates 11 branches and 22 ATM's in Tulsa County. State Bank is the fifth largest banking institution in Tulsa and has 4% - 5% of the banking deposits in Tulsa County. As of December 31, 1995, the bank reported a loan to deposit ratio of 64%. Retail banking is the bank's primary focus. The bank offers loans for consumers, real estate construction and development, business and the energy industry.

## I. ASCERTAINMENT OF COMMUNITY CREDIT NEEDS

Assessment Factor A - Activities conducted by the institution to ascertain the credit needs of its community, including the extent of the institution's efforts to communicate with members of its community regarding the credit services being provided by the institution.

- Participation by management and employees in business and civic organizations is the bank's primary method of ascertaining the community's credit needs.

The bank gains insight into the community's credit needs through participation as a member of the Tulsa Community Reinvestment Council (TCRC). The TCRC is a communication forum that allows participants to stay informed of local credit programs. TCRC also provides opportunities for participants to provide credit education, credit counseling and similar programs. The bank's lenders become aware of credit needs through working with loan programs offered through the Neighborhood Housing Services (NHS), Project Get-Together (PGT), and Oklahoma Capital Access Program. The bank has made three loans through NHS programs and two loans through PGT. Additionally, regular meetings of bank lenders provide an avenue to discuss community credit needs.

Assessment Factor C - The extent of participation by the institution's board of directors in formulating the institution's policies and reviewing its performance with respect to the purposes of the Community Reinvestment Act.

- The Board of Directors provides limited guidance in the development of the bank's CRA policies and review of CRA performance.

Direction and oversight of the bank's CRA performance is centered in President Stacy, EVP Rick Huck and Retail Lending Manager Larry Siemens. These bank officers will periodically report to the Board on CRA related issues, including lending performance.

## II. MARKETING AND TYPES OF CREDIT OFFERED AND EXTENDED

Assessment Factor B - The extent of the institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the institution.

- State Bank has developed marketing programs designed to reach all segments of its delineated community.

A wide range of advertising media is utilized including: television, radio, newspapers,

direct mail, and billboards. The bank occasionally promotes its home equity loan program and other loan products, but as a general rule, advertisements for credit-related programs are limited.

Bank personnel have conducted home buyer seminars and semi-annual small business seminars to educate and promote the bank's loan programs. In addition, loan officers have participated in small business forums sponsored by the Tulsa Community Reinvestment Council.

Assessment Factor I - The institution's origination of residential mortgage loans, housing rehabilitation loans, home improvement loans, and small business or small farm loans within its community, or the purchase of such loans originated in its community.

- State Bank addresses identified community credit needs through the origination of residential mortgages, home improvement, and small business loans.

Loan volume is adequate considering the bank's resources. The ratio of loans to deposits approximates 65% which is similar to other banks in the Tulsa market. A significant portion of the bank's loans are to borrowers in Tulsa County.

Residential lending represents a significant line of business for State Bank and approximates 50% of the loan portfolio. The following table represents the number and volume of HMDA reportable loans made by the bank in 1994 and 1995. This data includes loans the bank originated inside and outside of Tulsa County and those originated in Tulsa County by a bank affiliate, Arvest Mortgage Company.

* HMDA LOANS	1994			1995	
	#	\$ (000's)	Market Share	#	\$(000's)
Home Purchase:			9th		
Conventional	290	25,183		148	10,824
Government	11	686		35	2,096
Refinance	194	14,523		115	9,638
Home Improvement	204	3,417	4th	364	4,801

\* Data includes mortgage lending in Tulsa County by the bank's affiliate, Arvest Mortgage Company.

Using 1994 HMDA data from all reporting lenders in Tulsa County, State Bank ranked ninth with 3.4% of total originations of HMDA reportable loans. State Bank ranked fourth with over 7% of the number of home improvement loans. In 1995, the number of home improvement loans State Bank originated increased 78% from that reported in 1994. Market share data for 1995 is not available at the time of this evaluation.

In addition to traditional home mortgage products, State Bank occasionally works with LMI borrowers who have qualified for financial assistance through the City of Tulsa and Tulsa County. Over the past two years State Bank has originated eight loans for over \$300,000 to LMI borrowers through local non-profit agencies that administer the City of Tulsa home purchase assistance programs.

State Bank is placing a greater emphasis on home improvement loans to meet community credit needs. The bank originated home improvement loans directly to borrowers and on an indirect basis through local contractors who are engaged in various types of home improvement businesses. The bank does not have any special home improvement credit programs that are specifically for LMI borrowers.

Approximately 20% of the bank's commercial loans have original amounts of less than \$25,000. This indicates that the bank is willing to provide financing to small businesses. State Bank does not have any special loan programs for small or start-up businesses. In some cases, the bank will make business loans using loan programs offered by the Small Business Administration (SBA). When unable to meet a small business credit request, loan officers may refer prospective borrowers to non-profit organizations, like the Tulsa Economic Development Corporation, VERD-ARK-CA Development Corporation or the Small Business Capital Corporation. The bank has also originated business loans in partnership with these non-profits. These organizations specialize in lending to small businesses for job creation for LMI people or to businesses located in certain economically depressed areas.

Assessment Factor J - The institution's participation in governmentally-insured, guaranteed or subsidized loan programs for housing, small businesses, or small farms.

- State Bank participated in government insured, guaranteed and subsidized loan programs for housing and small business.

GOVERNMENT-GUARANTEED LOAN PROGRAMS				
	1994		1995	
	#	\$ (000)	#	\$ (000)
FHA/VA	11	686	35	2,096
SBA	12	2,601	8	902

The bank began offering FHA/VA home loans in 1994. Their participation is increasing as these products become more attractive to home buyers. In addition, an active secondary market for these loans enables the bank to sell long term mortgages and use those funds for other lending opportunities.

The bank's SBA lending volumes are reasonable for its size and financial resources. In recent years, State Bank has increased its participation in SBA lending and is designated a Certified SBA lender. The bank is in process of applying to be a "Preferred" SBA lender which will allow it to approve SBA loans up to \$750,000. SBA lending for the first four months of 1996 totalled 9 loans for \$921,000. The bank is using the SBA Low-Doc program which is a program for loans less than \$100,000. Approximately 50% of the banks SBA loans were originated using the Low-Doc program.

Additionally, the bank offers loan products through the Bureau of Indian Affairs and the Oklahoma Capital Access Program. Loan volume under these programs is minimal.

### III. GEOGRAPHIC DISTRIBUTION AND RECORD OF OPENING AND CLOSING OFFICES

Assessment Factor E - The geographic distribution of the institution's credit extensions, credit applications, and credit denials.

- Geographic distribution of loans is reasonable throughout the bank's delineated community.

The following table shows the portion of the bank's home purchase and home improvement loans that were made both in LMI neighborhoods and higher income neighborhoods in Tulsa County.

DISTRIBUTION BY INCOME LEVEL OF CENSUS TRACT		
	1994	1995
Home Purchase:		
Low Income CT	1.5%	0%
Moderate Income CT	9.3%	7.2%
Middle/Upper CT	89.2%	92.8%
Home Improvement:		
Low Income CT	.8%	1.9%
Moderate Income CT	14.0%	9.4%
Middle/Upper CT	85.6%	88.7%

Using 1994 HMDA data, State Bank ranked 10th among financial institutions and mortgage companies in total number of home purchase and home improvement loans originated in LMI census tracts in Tulsa County. This is similar to their ranking when comparing the bank's residential loans in all areas of Tulsa County in 1994. A total of 13.4% of all home purchase loans by all lenders in Tulsa County were to people living in LMI census tracts. In 1995, the bank experienced a decline in the number of home purchase loans to people in LMI census tracts.

State Bank has a better record of providing home improvement loans in LMI census tracts than home purchase loans. In 1994, State Bank ranked fourth among all lenders in the number of all home improvement loans and fifth in lending to people living in LMI census tracts. Approximately 15% of all home improvement loans the bank made in 1994 were to people living in LMI census tracts. This compares to 19% of all home improvement loans by all lenders in Tulsa County that were made to people living in LMI census tracts. In 1995, there was a decline in the number of home improvement loans to people living in LMI census tracts. The bank does not have branches in North Tulsa or Western Tulsa County which contains about one-third of the county's LMI census tracts. State Bank has a better record of lending to LMI census tracts that are closer to branch locations.

The following table shows the portion of the bank's home purchase and home improvement loans that were made both to lower income people and to higher income people in Tulsa County.

DISTRIBUTION BY INCOME OF THE BORROWER				
	1994		1995	
	#	%	#	%
Home Purchase:				
Low Income	4	2%	13	8%
Moderate Income	34	17.5%	27	16%
Middle/Upper	148	80.5%	118	76%
Home Improvement:				
Low Income	13	11.4%	19	6%
Moderate Income	16	14%	44	14%
Middle/Upper Income	84	74.6%	227	80%

In 1994, State Bank ranked 10th among financial institutions and mortgage companies in total number of home purchase and home improvement loans originated to LMI borrowers in Tulsa County. This is similar to their ranking when comparing the total of all residential loans originated in 1994. State Bank's record of home purchase lending to moderate-income borrowers in 1994 was similar to other competing institutions that averaged 18%. State Bank's home purchase loans to low-income borrowers at 2% was significantly less than other lenders which averaged over 7% of total home purchase loans to low-income borrowers.

In 1994, State Bank ranked fifth among all financial institutions in the number of home improvement loans made to LMI borrowers in Tulsa County in 1994. The bank had a greater percentage of its home improvement loans to LMI borrowers than the average for lenders in Tulsa County. While the number of home improvement loans increased in 1995, the increase was mostly to borrowers in the middle/upper income category.

Assessment Factor G - The institution's record of opening and closing offices and providing services at offices.

- Offices are reasonably accessible to all segments of the local community.

The offices of State Bank and Trust N.A. include the main office, 12 branches and 22 Automated Teller Machines (ATM's). All offices are located in Tulsa, except two branches which operate in Broken Arrow. Since the previous public evaluation no branches have been closed and two have been opened in Tulsa. The two openings occurred in Southwest Tulsa and serve primarily middle and upper income areas of Tulsa. Oklahoma law prohibits the bank from building additional branches unless the bank acquires another financial institution. There is no such restriction on expansion of ATM's.

State Bank offers extended business hours at most branch locations (8 a.m. to 8 p.m. weekdays and Saturday 8 a.m. to 1p.m.). These hours and services are convenient for bank customers and serve the needs of the community.

#### IV. DISCRIMINATION AND OTHER ILLEGAL CREDIT PRACTICES

Assessment Factor D - Any practices intended to discourage applications for types of credit set forth in the institution's CRA Statement(s).

- The bank solicits credit applications throughout its delineated communities.

Applications for credit products are generally solicited from all segments of the community. The bank's policies, procedures and training programs address the requirements of the Fair Housing Act, the Equal Credit Opportunity Act and the Home Mortgage Disclosure Act. No practices or policies were identified that would tend to discourage individuals from applying for credit.

Assessment Factor F - Evidence of prohibited discriminatory or other illegal credit practices.

- No substantive evidence of discrimination was disclosed during this assessment period.

A fair lending examination was performed as a part of the concurrent compliance examination. We conducted a comparative analysis of home improvement loan applications processed from April 1995 through March 1996. Our loan sample compared 18 loan applications denied to black applicants and 76 loans approved to white applicants. Based on examination results, we found no instances of discrimination or other illegal credit practices.

## V. COMMUNITY DEVELOPMENT

Assessment Factor H - The institution's participation, including investments, in local community development and redevelopment projects or programs.

- The bank periodically participates in community development or redevelopment programs.

Since 1994, the bank has provided over \$600,000 in financing for the purpose of purchasing and improving rental housing to be used specifically by low- and moderate-income families. These properties are single family residences located in North Tulsa. The bank, through its membership in the Tulsa Community Reinvestment Council, has participated in several loans to small businesses. In addition, the bank has committed to participate with other TCRC members in funding a micro loan program for small businesses through the Greenwood Chamber of Commerce.

Assessment Factor K - The institution's ability to meet various community credit needs based on its financial condition and size, legal impediments, local economic conditions and other factors.

- We did not identify any constraints on the bank's ability to assist in meeting community credit needs.

State Bank has the financial capacity and resources to meet the credit needs of the local community. For additional information, please refer to the "Bank Profile" and "Community Profile" sections located at the beginning of this evaluation.

Assessment Factor L - Any other factors that, in the regulatory authority's judgment, reasonably bear upon the extent to which an institution is helping to meet the credit needs of its entire community.

- C The bank demonstrates a willingness to consider other activities to help meet

community credit needs only when approached by others.

The bank provides space at their main office at a reduced rate for the Neighborhood Housing Services. The bank also annually contributes to the operating fund of the Tulsa Community Reinvestment Council which allows this organization to support economic development. Through the direction of State Bank, the Walton Foundation, a charitable organization operated by the majority stockholder of Arvest Bank Group, makes monetary contributions to several community organizations in Tulsa . Some of these community organizations operate in low income areas of Tulsa or provide services to low income people.

#### ADDITIONAL INFORMATION

None.