



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 21, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**312 North Main
Fairview, Oklahoma 73737**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza
500 North Akard Street
Dallas, Texas 75201-3394**

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 Farmers & Merchants National Bank of Fairview** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of January 21, 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. Consistent with its resources and capabilities, the bank is meeting the credit needs of its assessment area, including those of low-and moderate-income individuals, in a satisfactory manner.

The following table indicates the performance level of *The Farmers & Merchants National Bank of Fairview* with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>FARMERS AND MERCHANTS NATIONAL BANK OF FAIRVIEW</u> 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 have been received since the prior examination		

DESCRIPTION OF INSTITUTION

The Farmers & Merchants National Bank is located in Fairview, Oklahoma. The main bank and drive-in facility are located in downtown Fairview. There are no branches. The bank has one Automated Teller Machine located on premise. 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 December 31, 1996, the bank's total assets equaled \$48.7 million, of which \$22.4 million, or 46 percent of total assets, comprise various loans to individuals and businesses. The \$22.4 million in loans outstanding consisted of \$9.5 million in real estate loans (42.4 percent), \$3.6 million in commercial loans (16.1 percent), \$6.1 million in agriculture loans (27.2 percent), and \$3.2 million in consumer loans (14.3 percent).

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 previous review of the bank's performance under the Community Reinvestment Act was February 7, 1994.

DESCRIPTION OF THE 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 census tracts #9551, #9552, #9553. This territory is not located in a Metropolitan Statistical Area (MSA). The city of Fairview is located in tract #9553. Based on 1990 census data, the United States Census Bureau identifies two census tracts #9552 and #9553 as middle income tracts and #9551 as an upper income tract.

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 3,078 households and 2,330 families in the county. Forty-eight percent of the households derive their income from wages and salaries. The largest employment sectors were farming and service related entities.

The assessment area does not include any other chartered banks, however, Fairview is serviced by a Savings Bank and a branch of an out of area bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan to Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The average quarterly loan-to-deposit ratio from March 31, 1994 thru September 30, 1996 was 50.11 percent. The ratio as of September 30, 1996 was 51.23 percent. The low ratio for the period was 40.29 percent at March 31, 1994. The high ratio for the period was 53.73 percent at September 30, 1996.

Farmers & Merchants National Bank compares favorably to the average loan-deposit-ratio for the thirty-nine banks operating in the assessment area and the seven contiguous counties. The average loan-to-deposit ratio for this group of banks was 53.62 percent at September 30, 1996. The low ratio of this group at September 30, 1996 was 19.89 percent and the high ratio was 81.63 percent.

Lending in Assessment Areas

A substantial majority of credit is extended within the assessment area. Analysis of a random sample fifty-two consumer/residential loans and ten business/agriculture loans extended throughout 1996 provided the following:

Loan Sample	% of loans inside area	% of loans outside area	% of loan dollars inside area	% of loan dollars outside area
Consumer/Residential (52 loans for \$485,000)	90.38%	9.62%	92.58%	7.42%
Business/Agriculture (10 loans for 1,103,000)	90.00%	10.00%	87.76%	12.24%
Combined Totals (62 loans for 1,588,000)	90.32%	9.68%	89.23%	10.77%

The above sample information is corroborated by the bank's internal geo-coding of loans as of December 31, 1996. This data reflected that 87.54 percent of the bank's 1,429 loans are within the assessment area and 79.63 percent of the dollar volume of loans are within the assessment area.

Lending to Borrowers of Different Incomes

The distribution of loans to individuals and businesses of different income levels within the assessment area is reasonable. The following table uses income data collected from the random sample of consumer and residential loans selected for review.

Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans (52)	36.54%	19.23%	17.31%	26.92%
Dollars of Loans (485,000)	14.64%	17.73%	18.56%	49.07%

The number of loans to each income group compares well to the distribution of households and families by income level illustrated below:

Description	% Low Income*	% Moderate Income*	% Middle Income*	% Upper Income*
Households (3,078)	18.97%	15.56%	15.46%	50.01%
Families (2,330)	15.36%	17.57%	19.57%	47.95%

* Census median family income was \$28,600.

Additionally, the sample of ten commercial and agriculture loans reviewed revealed that all were extended to entities with annual gross revenues of less than \$1 million per year.

Geographic Distribution of Loans

The distribution of credit within the assessment area is reasonable. While management does not geo-code loans by census tract, 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 that 80.36 percent of the loans and 67.51 percent of the dollar amount were extended to borrowers residing in census tract #9553. This concentration is logical as this tract encompasses and surrounds the town of Fairview, Oklahoma. The remainder of loans are extended to tracts #9551 and #9552 at 7.14 percent (6.86 percent in dollars) and 12.50 percent (25.63 percent in dollars), respectively. These tracts are sparsely populated rural areas. Census tract #9551 is an upper income tract and tracts #9552 and #9553 are middle income.

Responses to Complaints

No complaints concerning CRA have been received since the February 7, 1994 examination.

Fair Lending Matters

No violations of the substantive provisions of anti-discrimination laws and regulations were identified. Additionally, no evidence of discrimination or disparate treatment was found. The Farmers & Merchants National Bank's lending practices are reflective of anti-discrimination policies.