

## **PUBLIC DISCLOSURE**

**December 6, 1999**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The First National Bank of Pryor Creek  
Charter Number 5546**

**310 E. Graham Avenue  
Pryor, OK. 74361**

**Office of the Comptroller of the Currency  
Southwestern District  
Tulsa Field Office  
7134 S. Yale, Suite 900  
Tulsa, OK. 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 **Bank Name** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of December 6, 1999. 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 given the competition and assessment area credit needs.

The First National Bank of Pryor Creek is committed to serving the community in which it operates and demonstrates satisfactory lending performance.

## DESCRIPTION OF INSTITUTION

The First National Bank of Pryor Creek (FNB) is a \$105 million community bank that serves Mayes county in northeast Oklahoma. The bank operates one full-service office located in Pryor, Oklahoma. FNB is owned by First Pryor Bancorporation, Inc., a one-bank holding company located in Pryor, Oklahoma. FNB offers a full range of credit products including commercial, real estate construction, residential, home improvement, agriculture and other consumer loans. FNB's ratio of net loans to total assets was 65% as of June 30, 1999. As of December 6, 1999, the percentage distribution of loans, as a percent of gross loans, is outlined in the table below.

<b>PRODUCT TYPE</b>	<b>PERCENT OF GROSS LOANS AS OF 12-6-99</b>
Commercial Loans	34%
Consumer Loans	43%
Residential Real Estate Loans	11%
Agricultural Loans	12%

The last CRA examination of FNB was performed February 5, 1996, at which time a "Satisfactory" rating was assigned.

The bank is not restricted in its ability to meet community credit needs. There are no legal impediments or other factors preventing the bank from lending in its assessment area.

## DESCRIPTION OF BANK'S ASSESSMENT AREA

FNB has designated all of Mayes County (consisting of 8 block numbering areas) as its assessment area. Five are designated middle-income and 3 upper-income tracts. There are no designated low- and middle-income tracts in the assessment area. The assessment area primarily consists of agricultural land and a small diversified industrial base. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies.

The 1990 U.S. Census lists the population in the assessment area at 33,366. The weighted average non-MSA median family income for the area is \$24,139 according to data provided by the Department of Housing and Urban Development (HUD). The following table provides a breakdown of families within the assessment area by income level.

<b>INCOME LEVEL</b>	<b>PERCENT OF FAMILIES IN ASSESSMENT AREA BY INCOME LEVEL 1990 U.S. CENSUS</b>
Low	22%
Moderate	16%
Middle	20%

Upper	42%
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The banking environment is extremely competitive. Ten banks and one credit union are located in Mayes County. Three of the banks and the one credit union are located in Pryor. Two are branches of larger community or regional banks, which provides strong competition for all lending products. Given the competitive pressures, FNB started specializing in Aircraft lending. The majority of Aircraft loans is extended as personal credit and is considered consumer loans. In addition, the majority of these loans are out of territory loans. At December 6, 1999, eighty-four percent (84%) of the consumer loan portfolio consisted of Aircraft loans.

Housing prices in the area are increasing. For the assessment area, the median housing value is \$42,302 with 63% of the housing owner occupied. The construction of a new large industrial facility south of the city has been a major source of new employment, which has increased housing demand. A local mortgage company provides competition for home loans.

We contacted the local Chamber of Commerce to help ascertain credit needs in the assessment area. The contact indicated that affordable housing and customer education (how to ascertain permanent home loan financing and consumer credit counseling) were items most needed in the assessment area.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

### Loan to Deposit Analysis

FNB's loan to deposit ratio is reasonable given the bank's size, financial condition, and assessment area. The average loan-to-deposit ratio for the previous eight quarters ending September 30, 1999, is 79%. This exceeds the loan to deposit ratio of all banks in the assessment area. However, excluding the Aircraft loan portfolio this ratio declines to 54% which remains comparable to all banks in the assessment area. The aircraft loan portfolio is excluded given the majority of these loans are out of territory. The average loan to deposit ratio for five of FNB's closest competitors was 60% with a high ratio of 67% and a low of 55%.

### Lending in Assessment Area

FNB originates a large number of loans in its assessment area. We sampled twenty commercial loans, twenty residential real estate and twenty consumer loans originated between February 5, 1996 and December 6, 1999. Of the commercial loans, 70% by number and 21% by dollar volume were originated within the assessment area. Of the residential real estate loans, 85% by number and 94% by dollar volume were originated within the assessment area. Of the consumer loans, 45% of the number and 9% of the dollar volume were originated within the assessment area. However, one-half of the consumer loans reviewed were personal aircraft loans, a specialty lending area of the bank. As stated earlier, the aircraft loan portfolio is largely out of territory lending and comprises 84% of the consumer loan portfolio. Therefore, to obtain a more accurate assessment of consumer lending within the assessment area, we excluded the aircraft loans from the sample. With this exclusion, we found 95% by number and 99% by dollar volume of consumer loans were made within the assessment area. The

following chart summarizes our combined findings:

Loan Originations	Number of Loans Sampled		Dollar Volume of Loans Sampled	
	Number	Percentage	Dollar	Percentage
In Assessment Area	50	83%	\$1,844,092	33%
Out of Assessment Area	10	17%	\$3,791,514	67%
TOTAL	60	100%	\$5,635,606	100%

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

FNB's overall lending pattern reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.

### **Commercial Loans:**

The bank is meeting the credit needs of small businesses within the community. By definition, small businesses are those with annual revenues of less than \$1 million. The commercial loan sample, described previously, included loans to finance commercial real estate and operations. Eighty percent of the commercial loans reviewed (16 of 20 loans) were loans to small businesses. This equates to 65% by number and 25% by dollar volume of the commercial loan sample. Of the 16 small business loans, 81% by number and 56% by dollar volume were made within the assessment area. Further, 63% by number and 79% by dollar volume were made to businesses with annual revenues less than \$500,000. Twenty five percent of the 16 small business loans did not have any revenue information available.

The 1990 U.S. Census indicates 76% of the businesses within the assessment area have revenues less than \$1 million. As shown in the table below, the bank's distribution of commercial loans at 60% is slightly below the assessment area demographics.

Distribution of Commercial Loans by Annual Revenue				
Annual Revenue	Number of Loans in Sample	Percent of Loans in Sample	Dollar Amount of Loans in Sample	Percent of Dollar Volume Sampled
Unknown Revenues	4	20%	\$180,614	4%
Revenues < \$250M	2	10%	\$180,850	4%
Revenues \$250M - \$500M	8	40%	\$1,105,549	23%
Revenues \$500- \$1MM	2	10%	\$155,032	3%
Revenues > \$1MM	4	20%	\$3,084,265	66%
<b>TOTAL</b>	<b>20</b>	<b>100%</b>	<b>\$4,706,310</b>	<b>100%</b>

### **Residential Real Estate Loans:**

Our sample, described previously, consisted of mortgage loans originated to finance owner-occupied real estate. The following table shows a breakdown of residential real estate loan originations by income level as compared to the population:

<b>Distribution of Mortgage Loans to Borrowers of Different Income Levels</b>					
<b>Income Designation of the Borrower*</b>	<b>Number of Loans Sampled</b>	<b>Percent of the Loans Sampled</b>	<b>Dollar Amount of Loans Sampled</b>	<b>Percent of Dollar Volume of Loans Sampled</b>	<b>Percent of Families in the Assessment Area</b>
Low-Income	0	0%	\$0	0%	22%
Moderate-Income	1	5%	\$27,400	4%	16%
Middle-Income	3	15%	\$95,000	12%	20%
Upper-Income	16	80%	\$646,248	84%	42%
<b>TOTAL</b>	<b>20</b>	<b>100%</b>	<b>\$768,648</b>	<b>100%</b>	<b>100%</b>

\*Note: Income Designation of the borrower is based on the 1999 MSA US Census Updated medial Family Income of \$24,139

As shown in the table above, the percentage of loans made to each borrower income segment is not consistent with the percentage of families within those respective segments. Based on our sample of 20 loans, we found no residential real estate loans were made to low-income borrowers and only one to moderate-income borrowers.

This is considered low in relation to the bank's capacity and opportunities available within the assessment area. The bank's opportunities to originate owner-occupied real estate loans to low- and moderate-income borrowers are limited by the availability of affordable housing and the increased housing cost. There are no programs available to assist low- and moderate-income individuals obtain affordable housing.

### **Consumer Lending:**

Given the extreme competition from local financial institutions for consumer loans, we determined the bank's current distribution reflects a reasonable penetration to low- and moderate-income borrowers. As shown in the table below, 27% of the consumer loans sampled were made to low- or moderate-income families, compared to 38% of the actual population in those categories.

<b>Income Level</b>	<b>% of Consumer Loan Sample by Number</b>	<b>% of Families in the Assessment Area *</b>
Low-Income	11%	22%
Moderate-Income	16%	16%
Middle-Income	26%	20%
Upper-Income	47%	42%

\*Note: Income Designation of the borrower is based on the 1999 MSA US Census Updated medial Family Income of \$24,139

### Geographic Distribution of Loans

We did not analyze the geographic distribution of loans given all eight block numbering areas comprising the assessment area are designated either middle- or upper-income. The lack of diverse geographies

prevents a meaningful analysis.

### Response to Complaints

No Complaints have been received regarding the bank's CRA performance since the last examination.

### Record of Compliance with Antidiscrimination Laws

A concurrent fair lending examination did not identify any evidence of prohibited discriminatory practices. As part of our examination, we reviewed samples of rates and terms of approved consumer loans and examined lending policies and practices. We did not identify any violations involving illegal discrimination or any practices intended to discourage applicants applying for credit.