



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

**PUBLIC DISCLOSURE**

**June 14, 2006**

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

**Community National Bank of Okarche  
Charter Number 18233**

**635 North Main  
Okarche, Oklahoma 73762**

**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 financial institution.

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The major factors that support this rating include:

- A substantial majority of the loans sampled were originated within the bank's 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 exceeds the standard for satisfactory performance for lending to borrowers of different incomes and to businesses and farms of different sizes.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.
- The Community National Bank of Okarche, in Okarche, Oklahoma is committed to serving the community and demonstrates satisfactory lending performance.

## DESCRIPTION OF COMMUNITY NATIONAL BANK OF OKARCHE

Community National Bank (CNB) is a community bank located in Okarche, Oklahoma. CNB, a subsidiary of Northwest Sooner Bancshares, Inc., has sufficient resources devoted to meeting community credit needs. CNB's main office and an automatic teller machine (ATM) are located at 635 North Main. A branch facility is located in Fairview, Oklahoma at 101 N. Main. Another ATM is located in Fairview at the Sooner Co-op located at South Main and Highway 60. Management's and the Board's primary focus is to serve commercial, agricultural, and consumer customers in the Okarche and Fairview communities. The bank meets customer's needs by providing traditional loan and deposit products.

As of March 31, 2006, CNB had total assets of \$50 million, of which \$29 million, or 58 percent of total assets, were comprised of various types of loans to individuals, commercial businesses, and agricultural related enterprises as depicted in the following table:

<b>Loan Mix of CNB</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>% of Gross Loans</b>
Real Estate Loans	12,307	43%
Agriculture Loans	7,142	25%
Commercial Loans	4,963	17%
Consumer Loans	4,330	14%
Other Loans	15	1%
<b>Total</b>	<b>28,757</b>	<b>100.00%</b>

*Source: March 31, 2006 Consolidated Report of Condition.*

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank received an overall rating of "Satisfactory" at the last Community Reinvestment Act examination dated January 22, 2002.

## DESCRIPTION OF CNB'S ASSESSMENT AREA

The bank's assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income areas. The assessment areas are described as the seven census tracts surrounding the bank's facilities in Okarche (Kingfisher and Canadian Counties census tracts 9583, 9584, 3002.01 and 3002.02) and Fairview (Major County census tracts 9551, 9552, and 9553). The total population of the assessment areas approximates 23 thousand, with 3 thousand, or 11 percent, being minority. The largest minority population consists of Native Americans at 4 percent of the total population.

Demographic and Economic Characteristics of Assessment Area	
<i>Population</i>	
Number of Families	6,535
Number of Households	8,729
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	0%
% Middle-Income Census Tracts/BNA	57%
% Upper-Income Census Tracts/BNA	43%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$38,197
2004 HUD-Adjusted MFI	\$44,539
<i>Economic Indicators</i>	
Unemployment Rate	1.8%
2000 Median Housing Value	\$69,886
% of Households Below Poverty Level	11%

*Source: 2000 U.S. Census data*

Although there are no low- or moderate-income census tracts in the assessment areas, there are low- and moderate-income families in the assessment areas. Of the 6,535 families, 15.5 percent are low-income families, 17.1 percent are moderate-income families, 20.2 percent are middle-income families, and 47.2 percent are upper-income families. The median housing value is \$69,886 with the median age of housing stock at 35 years.

The economy is somewhat diversified due to the number of small business and agricultural operations in the assessment areas. The largest employers in Okarche are Temptrol, a national air conditioner manufacturer; Carter Chevrolet; and, the Center for Family Love, an adult mentally disabled care facility. The largest employers in Fairview are Mabarr, a custom truck bed manufacturer and Fairview Fellowship Home, a nursing home facility.

A community contact was recently made in the bank's assessment area to help ascertain the credit needs of the assessment area. According to the contact the immediate credit needs of the community are being fulfilled. The contact stated that there is a need for small business development and lending, job creation, and affordable housing. He felt the banks were doing as much as they could to support credit and business development needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses CNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area; lending to borrowers of different incomes and to businesses of different sizes; geographic distribution of loans; and responses to CRA related complaints.

To evaluate the CNB's lending performance, a random sample of 69 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 27 consumer loans and 42 small business and farm loans. Based on the analysis and consistent with available resources and capabilities, CNB is meeting the credit needs of the assessment area in a satisfactory manner.

### *Loan-to-Deposit Ratio*

CNB's loan-to-deposit ratio is satisfactory. This determination is based on the bank's quarterly average loan-to-deposit ratio from March 31, 2002 through March 31, 2006 of 76 percent. This ratio compares reasonably with the average loan-to-deposit ratio of four banks in CNB's trade area, over the same time period. The comparison banks are similar to CNB and are primary competitors. CNB's ratio at March 31, 2006 was 66 percent. The bank's loan-to-deposit ratio peaks seasonally from November through April due to agricultural lending needs.

Institution	Assets as of 3/31/2006	Average LTD Ratio
F&M National Bank of Fairview	\$ 67,897	49%
<i>Community National Bank of Okarche</i>	<i>\$ 49,517</i>	<i>76%</i>
F&M Bank, Crescent	\$102,494	81%
First State Bank of Okarche	\$ 44,431	83%
Community State Bank of Canton	\$ 26,479	85%

### ***Lending in Assessment Area***

CNB's lending in their assessment areas meets the standards for satisfactory performance. A majority of the consumer vehicle, small business, and small farm loans sampled were originated in the bank's assessment areas as detailed in the table below:

<b>TOTAL LOANS REVIEWED</b>								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	27	84%	297	81%	5	16%	70	19%
Business	22	85%	1,230	94%	4	15%	80	6%
Agriculture	20	97%	1,570	61%	4	20%	55	3%
Total Reviewed	69	84%	3,097	94%	13	16%	205	6%

*Source: Loan Sample Reviewed*

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

CNB exceeds the standard for satisfactory performance for lending to borrowers of different incomes and to businesses and farms of different sizes. The following tables represent a favorable distribution of lending based on the sample of 27 consumer loans, 22 small business loans, and 20 small farm loans.

<b>BORROWER DISTRIBUTION OF CONSUMER LOANS</b>								
Borrower Income Level	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
	17%		15%		18%		50%	
% of AA Households	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Consumer Auto Loans	22%	12%	37%	37%	22%	22%	19%	29%

The distribution of consumer auto loans to low- and moderate-income households is excellent. The number of auto loans extended to low- and moderate-income borrowers exceeds the percentage of low- and moderate-income households represented in the assessment areas. The dollar amount of loans extended to low-income borrowers is less than the percentage of low-income households in the assessment areas. However, the dollar amount of loans extended to moderate-income borrowers exceeds the percentage of moderate-income households in the assessment areas.



<b>BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES</b>		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	53%	5%
% of Bank Loans in AA #	100%	0%
% of Bank Loans in AA \$	100%	0%

Note: 42 percent of businesses did not report revenues.

The distribution of loans to small businesses and small farms of different sizes is excellent. The percentage of the number of small businesses with annual gross revenues of less than \$1 million in the bank's assessment areas is 53 percent, while the number and dollar volume of loans extended by the bank to small businesses represented 100 percent. The percentage of the number of small farms with annual gross revenues of less than \$1 million is 95 percent, while the number and dollar volume of loans extended by the bank represented 100 percent.

<b>BORROWER DISTRIBUTION OF SMALL FARM LOANS</b>		
Farm Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms	95%	4%
% of Bank Loans in AA #	100%	0%
% of Bank Loans in AA \$	100%	0%

Note: 1 percent of farms did not report revenues.

### ***Geographic Distribution of Loans***

An analysis of the geographic distribution of loans sampled would not be meaningful since there are no low- or moderate-income census tracts in the bank's designated assessment areas.

### ***Responses to Complaints***

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

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.