



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

February 17, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Fort Sill National Bank
Charter Number 14546**

**Post Office Box 33009
Fort Sill, Oklahoma 73503**

**Office of the Comptroller of the Currency
Southwestern District
1600 Lincoln Plaza
500 North Akard
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 **Fort Sill National Bank, Fort Sill, Oklahoma (FSNB)** prepared by the **Comptroller of the Currency**, the institution's supervisory agency, as of February 17, 1998. 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 ***Outstanding***.

- ▶ FSNB's lending performance has been very good given its size and financial condition. The bank originates a large number of small consumer loans that directly benefit low and moderate-income individuals.
- ▶ A substantial majority of FSNB's loans have been extended within their defined assessment area.
- ▶ FSNB has developed a wide variety of innovative products and services specifically designed to meet the banking needs of active duty and retired military personnel and their families, wherever they may be located throughout the world.

The following table indicates the performance level of **Fort Sill National Bank** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	Fort Sill National Bank 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	Geographic distribution is not meaningful for the purposes of this performance criteria.		
Response to Complaints	No complaints regarding the Community Reinvestment Act have been received since the prior evaluation.		

DESCRIPTION OF INSTITUTION:

FSNB is a subsidiary of J. R. Montgomery Bancorporation, a \$20 million holding company, headquartered in Lawton, Oklahoma. The main banking facility is located on an army post at Fort Sill, Oklahoma. FSNB is a “military bank” whose mission is to serve the banking needs of the military community. This military community consists of active duty or retired military and civil service personnel, or their dependents serving or working on military installations worldwide. The bank has developed numerous innovative products and services which are focused on the needs of the military community. See Investment and Services section of this evaluation for detailed information.

As of December 31, 1997, FSNB’s total assets equaled \$133 million, of which \$43 million, or 32 percent, consisted of loans. The \$43 million in loans outstanding were comprised of \$33 million in consumer loans (77 percent), \$7 million in residential real estate loans (16 percent), and \$3 million in commercial loans (7 percent).

In addition to the Fort Sill location, FSNB operates branches at several locations in the United States. The following depicts banking locations, including branches, and the number of Automated Teller Machines (ATM) provided:

Military Installation	Number of Banking Locations	Automated Teller Machines (ATM)
Lawton / Fort Sill, Oklahoma	4	22
Sheppard Air Force Base - Sheppard Air Force Base, Texas	2	6
Marine Corps Recruit Depot - Parris Island, South Carolina	1	3
Dover Air Force Base - Dover, Delaware	2	3
Marine Corps Air Ground Combat Center - Twentynine Palms, California	1	3
Totals	10	37

Each banking facility has business hours which are tailored to the needs of military personnel. New accounts personnel and lenders are present at one or more locations at each military installation.

There are no known factors which have or may potentially impede the ability of the bank to meet the credit needs of its assessment area. The last review of performance under the Community Reinvestment Act was completed as of July 31, 1994. At that time, the bank's CRA rating was "***Outstanding***".

DESCRIPTION OF THE ASSESSMENT AREA FORT SILL NATIONAL BANK:

FSNB considers its assessment area to be the bank's deposit customer base in lieu of defined geographic areas. The regulation governing compliance with the Community Reinvestment Act provides a special provision for banks which are chartered to, and serve primarily military personnel and related individuals to define their assessment area as such.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

FSNB's loan to deposit ratio is satisfactory, given its asset size, financial condition, and willingness to provide special loan programs that directly benefit low and-moderate income military or related personnel. The average quarterly loan to deposit ratio from December 31, 1996, through September 30, 1997, was 45.01 percent. The ratio as of December 31, 1997, was 39.52 percent. FSNB's ratio compares favorably to three other comparable military-oriented banks with total assets ranging from 90 million to 311 million dollars. The average quarterly ratio for this group of banks for the same time period was 30.66 percent.

FSNB's loan to deposit ratio is not representative of management's efforts to meet the credit needs of its assessment area, nor does it indicate the bank's true lending volume. During 1997, FSNB extended 12,325 loans totaling \$26,807,253. Of this number, 5,528 were Graduation Loans, which are designed to benefit lower income military personnel. This is a short-term loan, as are several other types of loans which the bank offers. Therefore, the loan portfolio turns over quickly, which impedes the bank's ability to build a significant loan to deposit ratio. See Investments and Services section of this evaluation for further information.

Lending in Assessment Area

FSNB has extended a substantial majority of both the number and dollar volume of its loans to enlisted and retired military personnel and their families. Analysis of the loan portfolio noted the following results:

Loan Type	% of Number of Loans to Military	% of Number of Loans to Non-Military	% of Dollar of Loans to Military	% of Dollar of Loans to Non-Military
Consumer (10,252 Loans = \$30,155,000)	87.27% (8,947 Loans)	12.83% (1,315 Loans)	84.51% (\$25,485,327)	15.49% (\$4,669,673)
Commercial (566 Loans = \$12,676,000)	67.84% (384 Loans)	32.16% (182 Loans)	55.42% (\$7,025,000)	44.58% (\$5,651,000)
Combined Totals (10,818 Loans \$42,831,000)	86.25% (9,331 Loans)	13.85% (1,497 Loans)	75.90% (\$32,510,327)	24.10% (\$10,320,673)

This information indicates FSNB is committed to lending to the military community.

Lending to Borrowers of Different Incomes

The distribution of loans reflects a good penetration of lending to persons in the military community at all income levels. The following table analyzes the number and dollar volume of loans to active duty and retired military personnel by income category. For comparative purposes, the income categories are based on the weighted average of the median family income for the Lawton Metropolitan Statistical area (\$34,700), in which the bank headquarters is located.

Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans to Military Personnel (9,331 Loans)	53.66% (5,007 Loans)	16.65% (1,554 Loans)	10.57% (986 Loans)	19.12% (1,784 Loans)
Dollars of Loans to Military Personnel (\$32,510,327)	30.68% (\$9,972,110)	16.33% (\$5,309,041)	13.83% (\$4,497,542)	39.16% (\$12,731,634)

It is noted that a substantial number of loans have been extended to low and moderate-income active or retired military persons (6,561 loans or 70.31 percent). Additionally, a substantial dollar volume of loans (\$15,281,115 or 47.01 percent) has been extended to this same group.

Geographic Distribution of Loans

Since FSNB's assessment area is defined as its deposit base, a geographic distribution analysis of its lending would not be meaningful to determine the quality of the bank's service to its community.

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the last examination of the bank on July 31, 1994.

Investments and Services

FSNB has identified the need for and developed an extensive number of innovative products and services to serve the needs of military affiliated persons, whether active duty or retired, and regardless of location throughout the world. The following summarizes these programs:

Services:

▶ **Welcome Center Office**

FSNB maintains a full-time office in the Fort Sill Welcome Center where incoming soldiers and families may open accounts, establish or transfer direct deposits and receive information concerning banking services.

▶ **Deposit Accounts for Initial Entry Soldiers**

The bank sends employees on an as needed basis to reception battalions with the required documents to open new accounts and establish direct deposits. All incoming personnel are offered a free career checking account (no monthly or per item fees, no minimum balance requirement, no opening or closing fees), a free ATM card, twenty free checks, and ten minutes of free telephone calling time. During 1997, 45,238 of these new accounts were opened.

▶ **On-Site Outprocessing of Trainees**

Upon completion of Basic Training, FSNB provides services to military personnel departing the military installation. This includes completing change of address cards, processing check reorders, and providing a packet of banking reference information. Additionally, a presentation of general financial management briefing is provided, which addresses account management, ATM card usage, and how to avoid some common credit and banking problems.

- ▶ **Special Pay Day Services For Trainees**
Many times it is difficult for trainees to leave the training area to conduct routine pay day business. Therefore, FSNB augments its staff on those days at branches located on training centers to allow soldiers to purchase money orders, travelers checks, make account inquiries, and cash personal and government checks.
- ▶ **Automated Teller Machines**
FSNB provides 37 no-fee ATMs at various locations on the military installations where branches are located. Funds are accessible at virtually all ATMs around the world. FSNB ATMs also processes credit card advances on American Express, Discover, VISA, and MasterCard.
- ▶ **Telephone Banking**
FSNB has a toll-free Interactive Voice Response System. This allows customers to access account information 24 hours per day, 7 days a week, from virtually anywhere in the world.
- ▶ **Internet Web Site**
FSNB's Internet web site provides information on various types of services the bank offers, as well as branch and proprietary ATM locations. Additionally, account holders can request credit card applications, phone cards, debit cards, and notify the bank of lost or stolen ATM, debit or credit cards.

Products:

- ▶ **Graduation Loans**
During outprocessing, FSNB offers graduating trainees a special Graduation Loan. This is a \$250 or \$400 loan at 5.00 percent APR, to be repaid in six monthly instalments. This loan product is designed to assist soldiers in establishing good credit, help defray costs associated with transferring, and offer an alternative to borrowing from off-post lenders who routinely charge high interest rates and other finance charges. During 1997, 5,528 Graduation Loans were extended, totaling \$1,642,400. The bank has made over 10,527 of these loans totaling over \$3,349,063 since inception of the program.
- ▶ **Relocation Loans**
FSNB offers a special Relocation Loan to personnel on permanent change of station orders that are relocating to a military installation on which FSNB has a branch location. Loans can be up to \$1,000 for one year at 5.00 percent APR. During 1997, the bank extended 272 Relocation Loans totaling \$272,000.

- ▶ **TeleLoans**
This service allows customers to call, toll free, from anywhere in the world to apply for any type of loan. This product was implemented in November 1997, and has since generated 387 loans totaling \$845,037.
- ▶ **Career Checking Accounts**
A checking account to meet the soldiers need for a fee-free or low cost account. Features include no opening or closing fees, no required minimum balance, no per item fee, no opening balance requirement, interest paid on balances greater than \$500, and a free ATM card. These accounts represent in excess of 80 percent of FSNB's transaction accounts.
- ▶ **Overdraft Protection Program**
This program is designed to assist junior enlisted personnel with small average balances. It is available to all established checking account customers and allows overdrafts up to \$200, which may be increased commensurate with the customer's account performance history.
- ▶ **Telephone Calling Cards**
A calling card is available to meet the needs of trainees or others, who do not have an established phone service. Upon establishing a career checking account, the customer is given 10 free minutes of phone time. Also, several choices are offered as to the amount of time the customer can select on a recurring basis. This card is tied to the customer's checking account for automatic payment and is automatically "recharged" each month for the amount selected. All unused time is carried over each month and any unused time is completely refundable. The calling card also provides voice mail services at no extra charge.

Fair Lending Matters

Substantial compliance with all provisions of the anti-discrimination laws and regulations was noted during the examination. No evidence of discrimination or disparate treatment was found. The lending practices of FSNB are reflective of anti-discrimination policies.