



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

July 6, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank
Charter Number 8615**

**301 North Main
Seiling, Oklahoma 73663**

**Office of the Comptroller of the Currency
Southwestern District
Oklahoma City Field Office
301 NW 63rd Street, Suite 490
Oklahoma City, Oklahoma 73116**

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 **First National Bank, Seiling, Oklahoma** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **July 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**. 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 reasonable manner. This is demonstrated by the following:

- C First National Bank's continuing efforts to pursue lending opportunities and improve the bank's loan-to-deposit ratio.
- C First National Bank's willingness to provide loan and deposit products consistent with the needs of the community.
- C A majority of the loans extended are within the assessment area.
- C First National Bank has demonstrated a willingness to extend loans to individuals of different income levels, as well as businesses and farms of different sizes.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST NATIONAL BANK Seiling, Oklahoma 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	Geographical distribution is not meaningful.		
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

First National Bank is located in Seiling, Oklahoma. The bank is 100 percent owned by the W. H. Pittman family. Both the main bank and drive-in facility are located in downtown Seiling. There are no branches. At present, First National Bank does not issue Automated Teller Machine (ATM) cards or debit cards, and no ATMs are serviced by the bank. Plans are currently underway to offer ATM products and services by year-end 1999. The bank's primary focus is to serve commercial, agricultural, and consumer customers in Seiling and the surrounding areas.

As of March 31, 1999, First National Bank's total assets equaled \$59,518,000, of which \$17,191,000 or 28.88 percent, were composed of various types of loans to individuals and businesses. The \$17,191,000 in loans and leases outstanding consisted of \$7,143,000 in real estate related loans (41.55 percent), \$2,830,000 in commercial loans (16.46 percent), \$4,827,000 in agricultural loans (28.08 percent), and \$2,391,000 in consumer loans (13.91 percent).

There are no known legal, financial, or other factors impeding management's ability to help meet the credit needs of the assessment area. First National Bank's performance under the Community Reinvestment Act was previously evaluated as of October 23, 1996 and was rated **Satisfactory**.

A community contact with a local business person was made during this review. The contact stated that this bank has a long term reputation of being extremely conservative. This is primarily the result of the downturn in the economy after the oil boom. The major credit needs in the assessment area are small dollar consumer, business, and farm loans.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area adopted by the bank's board of directors meets the requirements of the regulation. It does not arbitrarily exclude any low- or moderate-income geographies. The assessment area is described in more detail as follows:

Census Tract #9591 in Dewey County, Census Tract #9587 in Blaine County, Census Tract #9552 in Major County, and Census Tracts #9531 and #9532 in Woodward County.

Based on the 1990 United States Census Bureau, four of the five census tracts in the assessment area were identified as middle income. These were #9591, #9587, #9552 and #9532. Tract number 9531 in Woodward County is identified as an upper income tract by the census bureau. Seiling is located on the northern edge of tract number 9591. The remaining tracts are immediately adjacent to tract number 9591. There are no low income or moderate income tracts identified in any of the four counties.

United States Census Bureau information as of 1990 reflected a total population of 11,776 in the five tract area. The area contained 5,767 housing units with 3,610 or 62 percent owner occupied. Additionally, there were 3,201 families and 4,286 households in the area. Sixty-nine percent of the households derive their income from wages or salaries. The largest employment sectors were farming and service related entities. The unemployment level for the area was 302 persons or 2.56 percent of the population.

The assessment area is served by one other bank in Canton, Oklahoma. The area is also served by branches of other banks in Longdale and Mooreland, Oklahoma.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio does not meet the standard for satisfactory performance. The average quarterly loan-to-deposit ratio from September 30, 1996 through March 31, 1999 was 30.08 percent. The ratio as of March 31, 1999 was 34.61 percent. The low ratio for the period was 22.73 percent at September 30, 1996. The high ratio for the period was 34.96 percent at December 31, 1998.

The trend of the quarterly loan-to-deposit ratio since the October 1996 review has been improving. The average loan-to-deposit ratio at the last examination was 17.30 percent. The improvement between examinations is due to increased loan volume with respect to agricultural lending within the assessment area. The deposit base remains stable.

However, First National Bank's ratio continues to be low when compared to the average loan-to-deposit ratio for the three stand alone banks operating in Dewey County and the twenty banks operating in the six contiguous counties in Oklahoma. The average ratio for this group of banks was 47.73 percent at March 31, 1998. The low ratio in this group was 24.05 percent and the high ratio was 78.74 percent.

First National Bank's ratio is also low compared to the average loan-to-deposit ratio for the three banks headquartered in the assessment area. The average for this group of banks was 56.76 percent at March 31, 1999. The low ratio in this group was 46.31 percent and the high ratio was 73.02 percent at March 31, 1999.

Additionally, it is noted that First National Bank is substantially larger than its nearest rural competitors due to the large deposit base. First National Bank also has the largest loan portfolio with \$3,400,000 more in loans than the average loan portfolio of \$13,800,000 for the two nearest banks located in Taloga and Canton, Oklahoma.

Furthermore, First National Bank's loan portfolio has grown by approximately \$6,577,000 since December 1995. These facts support First National Bank's continuing pursuit of lending opportunities and obtaining a good share of loan demand in the market.

Lending in Assessment Area

A majority of credit extended is within the assessment area. Analysis of a sample of thirty-six consumer loans and twenty-two business and agricultural loans extended during 1998 and year-to-date 1999, noted the following results:

Loan Sample	% of Loans Inside Area	% of Loans Outside Area	% of Loan Dollars Inside Area	% of Loan Dollars Outside Area
Consumer/Residential (36 loans for \$818,628)	72.22%	27.78%	64.86%	35.14%
Business & Agricultural (22 loans for \$4,530,380)	95.45%	4.55%	94.03%	5.97%
Combined Totals (58 loans for \$5,349,008)	81.03%	18.97%	89.57%	10.43%

The conclusion from the sample corroborates management's data of the loans originated since October 1996 to July 6, 1999. Management reports that 67.30 percent of the loans are in the assessment area. This total equates to 86.69 percent of the dollar amount of the loans.

Lending to Borrowers of Different Incomes

The distribution of borrowers reflects a reasonable dispersion among individuals of different income levels as well as businesses and farms of different sizes within the assessment area. The following table uses income data collected from the sample of consumer and residential loans selected for review.

There were several small dollar loan files that did not contain current income information which, if obtained, probably would reflect a larger proportion of loans to low- and moderate-income individuals.

Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans (30)	13.33%	36.67%	30.00%	20.00%
Dollars of Loans (\$695,327)	4.77%	27.91%	33.68%	33.64%

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

Description	% Low Income (<50% of Median)*	% Moderate Income (50-80% of Median)*	% Middle Income (80-120% of Median)*	% Upper Income (>120% of Median)*
Households (4,289 in total)	21.61%	15.92%	17.56%	44.91%
Families (3,203 in total)	18.17%	17.64%	22.48%	41.71%

* 1990 census median household income for the assessment area was \$24,139. 1998 updated median family income for non-MSA locations in the State of Oklahoma was \$32,700.

The following table illustrates a review of a sample of twenty-two commercial and agricultural loans. The number of loans to the two groups compares very well to the distribution of companies and farms by revenue obtained from the 1990 census data.

Description	% with \$1,000,000 or less in revenues	% with greater than \$1,000,000 in revenues
Number of Loans (22)	95.45%	4.55%
Number of Companies/Farms (265)*	95.09%	4.01%

* Note, census information available for 265 of the 325 companies and farms in the area.

Geographic Distribution of Loans

Since there are no low- or moderate-income geographies in the assessment area, an analysis of the geographical distribution of loans among the middle- and upper-income census tracts is inconsequential.

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the last examination.

Fair Lending Matters

No practices were noted which are intended to discourage applicants from applying for the types of credit offered. Management solicits credit applications from all segments of its community. Our review revealed substantial compliance with all provisions of the antidiscrimination laws and regulations.