

PUBLIC DISCLOSURE

October 18, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Farmers National Bank
Charter Number: 12094
319 East D Street
Waurika, Oklahoma 73573**

**Office of the Comptroller of the Currency
Dallas North Field Office
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 **First Farmers National Bank** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of October 18, 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**.

The following factors support this overall rating:

The assessment area of Jefferson County and Stephens County, Oklahoma, does not arbitrarily exclude low or moderate income areas.

The average loan to deposit ratio of First Farmers National Bank meets the standards for satisfactory performance, taking into consideration its size, financial condition, and assessment area credit needs. The average loan-to-deposit ratio is comparable to other banks of similar size in the local area.

The majority of loans sampled, which included loans to small business, small farms, consumers and for purchase, or refinance of residential real estate were originated within the assessment area.

Lending reflects a high distribution of loans to small businesses and small farms. A reasonable distribution is also reflected to individuals of different income levels.

Geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, with the majority originated near the banking office.

The following table shows the performance level of First Farmers National Bank, Waurika, Oklahoma, with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	FIRST FARMERS 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		X	
Response to Complaints	First Farmers National Bank did not receive any complaints concerning its CRA performance.		

Scope of the Examination

This performance evaluation is based upon an analysis of First Farmers National Bank, Waurika, Oklahoma (First Farmers) CRA performance between the period beginning July 5, 1995 through October 18, 1999. This performance evaluation is limited to an analysis of First Farmers lending in the assessment area, which is Jefferson County and Stephens County, Oklahoma.

Description of Institution

First Farmers is a \$35 million community bank that is owned by the Waid family. First Farmers has been doing business in Waurika, Oklahoma, since 1906. An affiliation exists through common ownership with the First State Bank in Temple, Temple, OK. First Farmers moved to its current location in 1984. The current location has a spacious lobby with several walk-up and drive-up teller windows. An automatic teller machine is located off-site at the Junior Truck Stop, 101 North Highway 81, Waurika, Oklahoma. Junior Truck Stop is open 24 hours. Debit cards are offered to checking

account customers. First Farmers was rated ASatisfactory@ in the previous CRA public evaluation dated July 5, 1995.

First Farmers offers credit products commensurate with its size and needs of the assessment area. Agricultural, commercial, consumer and residential real estate loans are the primary loan products. First Farmers primary competitor is Waurika National Bank. Competition also comes from neighboring financial institutions in Byers, Texas, Ryan and Duncan Oklahoma. First Farmers does not have any financial or legal obstacles affecting its ability to meet the credit needs of the assessment area.

First Farmers Office Hours		
	Main Lobby	Drive-up
Monday - Thursday	9:00am.--3:00pm.	8:30am.--6:00pm.
	9:00am.--3:00pm.	8:30am.--6:00pm.
	4:00pm.--6:00pm.	
First Farmers is not open for business on Saturday		

Description of Assessment Area

First Farmers= assessment area of Jefferson County and Stephens County, Oklahoma, consist of 15 Block Numbering Areas (BNA=s). The assessment area does not arbitrarily exclude any low- or moderate-income areas. The majority of households residing in the assessment area, are in the middle and upper income BNA=s.

ASSESSMENT AREA DEMOGRAPHICS		
Income Characteristics	# of BNA=s	% of Households in Each BNA
Low < 50% of Median	1	1.5%
Moderate 50%-80% of Median	3	10.2%
Middle 80%-120% of Median	8	61.3%
Upper > 120% of Median	3	27.0%
Total	15	100%
Median refers to HUD median family income		

As of the 1990 census, approximately 49,309 persons reside in the assessment area. The majority of the population (86%) resides in Stephens County. Based upon the Housing and Urban Development, 1998 information, the weighted average median family income for all Oklahoma counties not in metropolitan statistical areas (MSA) is \$32,700. Median family income for Jefferson County, as of the 1990 census, was \$20,956. Median family income for Stephens County, as of the 1990 census, was \$28,412. The largest employers in the assessment area are Jefferson County Hospital, Metal Span, Elliott Mobile Home, Westbrook Nursing Home, Haliburton and Wal Mart.

Conclusions with Respect to Performance Criteria:

We reviewed agriculture, small business, consumer and residential real estate loans to assess First Farmers efforts toward meeting the credit needs of the assessment area. Loan types included in the sample represent First Farmers primary loan products as of June 30, 1999.

TYPES OF LOANS OUTSTANDING JUNE 30, 1999 (\$000'S OMITTED)		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>% of TOTAL LOANS</i>
Agricultural Loans	\$5,828	43%
1-4 Family Real Estate	\$2,713	20%
Consumer	\$1,619	12%
Farmland	\$1,571	12%
Other	\$1,753	13%
Total	\$13,484	100%

Loan-to-Deposit Ratio

First Farmers= loan-to-deposit ratio, meets the standards for satisfactory performance given the size, financial condition and credit needs of the assessment. First Farmers= average loan-to-deposit ratio for the past 18 quarters is 54%. To assess performance in this category, First Farmers average loan-to-deposit ratio was compared to other banks in the area. The average loan-to-deposit ratio going back to the previous CRA examination was calculated for the comparison.

First Farmers average loan-to-deposit ratio was compared to state and national chartered banks located in Jefferson, Stephens, Carter, Cotton, Oklahoma and Clay County, Texas. There are 11 local

banks of comparable total assets, between \$12 million and \$60 million. The local peer banks average loan-to-deposit ratio for the past 18 quarters is 56%, which is slightly higher than First Farmers= 18 quarter average.

Lending in the Assessment Area

First Farmers meets the standards for satisfactory performance in lending within its assessment area. We reviewed a sample of business, farm, consumer and residential real estate during this review.

ASSESSMENT AREA LENDING					
Loan Type	Total Sampled	# of Loans in AA	% of # Loans in AA	Amount (\$000s)	% of Amount
Consumer	30	27	90%	239	91%
Residential	20	18	90%	463	66%
Business/agriculture	20	19	95%	1,627	99%
Total	70	64	91%	2,329	89%

As shown in the table above, the majority of loans, 91% were originated to borrowers that reside within the assessment area.

Lending to Businesses of Different Sizes

First Farmers exceeds the standards for satisfactory performance in lending to businesses of different sizes. Loans secured by small businesses and small farms are defined as loans originated for commercial businesses with gross revenue of \$1.0 million or less; small farm loans are defined as loans to farms with gross revenue of \$500 thousand or less. Based on our sample of 20 business and farm loans, 95% were originated to small businesses or small farms.

In the assessment of overall performance in the element, the most weight is given to business and farm lending. Agricultural and business loans represent the largest percentage, (55%) of outstanding loans as of June 30, 1999. During peak borrowing periods these loan types represent up to 60% of gross loans. According to management, First Farmers originates more loans in the district than the Farm Services Administration that supervises Stephens, Comanche, Cotton and Jefferson Counties. First Farmers has \$2.4 million, in loans with partial guarantees from the Farm Services Administration as of June 30, 1999. This amount is at the lowest in the summer months when farmers are preparing to purchase cattle. Agriculture loans represented 50% of gross loans as of December 31, 1998. The summer months are the time of year when borrowing is at its lowest point. Most cattle ranchers will be

purchasing their herds in the next 30-60 days and increasing their lines of credit.

Lending to Borrowers of Different Incomes

The review of consumer and residential loans shows that First Farmers meets the standards for satisfactory performance. The chart shown below illustrates the distribution of loans to borrowers of different income levels.

Distribution of Loans to Borrowers of Different Incomes					
Income Level	% of Families In Each Tract by Income Level	Residential Real Estate		Consumer	
		# Loans	%	# Loans	%
Low	20%	3	17%	4	15%
Moderate	14%	2	11%	2	7%
Middle	21%	2	11%	6	22%
Upper	45%	10	56%	8	30%
Income Not Available	0%	1	5%	7	26%
TOTAL	100%	18	100%	27	100%

As illustrated in the table above, a reasonable percentage, 17% of residential real estate loans, and 15% of consumer loans, were originated to low income borrowers, based upon the loans sampled. This level of penetration is reasonable, given the percentage of low-income families residing in the assessment area. Loans originated to moderate-income borrowers also shows reasonable penetration. Moderate-income borrowers received 11% of the residential real estate loans and 7% of consumer loans, based upon loans sampled.

Geographic Distribution of Loans

Distribution of loans within the assessment area meets the standards of satisfactory performance. The majority of loans originated are in BNA=s located closest to First Farmers.

GEOGRAPHIC DISTRIBUTION OF LOANS WITHIN THE ASSESSMENT AREA			
BNA/ Income Level	Business/ Agriculture	Consumer	Residential Real Estate
9516 Moderate	2		
9517 Middle	3	1	
9518 Middle	11	23	18
1.01 Upper			
1.02 Middle		2	
2.0 Upper			
3.0 Middle			
4.0 Middle			
5.0 Moderate			
6.0 Moderate		1	
7.0 Low			
8.0 Upper			
9.0 Middle			
10.0 Middle			
11.0 Middle	3		
Out of Area	1	3	2

As illustrated in the chart above, the majority of loans are to borrowers residing in the block numbering area containing the City of Waurika and two other BNAs in Jefferson County. The concentration of loans near the banking office is considered reasonable given the size of the institution and the fact that

there are no branch offices.

Response to Complaints

There were no complaints filed during the review period that pertain to the CRA.

Compliance with Discrimination Laws

A fair lending review was performed concurrently with this CRA examination. Examination results revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.