

Public Disclosure

January 15, 1998

Community Reinvestment Act
Performance Evaluation

The First National Bank of Grove
Charter Number: 22820
600 South Main
Grove, Oklahoma 74344

Office of the Comptroller of the Currency
Tulsa Duty Station
7134 South Yale Avenue, Suite 910
Tulsa, Oklahoma 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 CRA performance of The First National Bank of Grove, prepared by the Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 15, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Note: Throughout this evaluation, the First National Bank of Grove will be referred to as "FNB".

Institution's CRA Rating: This institution is rated Satisfactory.

- ▶ The bank's loan-to-deposit (LTD) ratio is reasonable. The LTD ratio averaged 67% since the bank opened in September 1996, compared to 73% that was reported by competing banks in Delaware County. As of December 31, 1997, FNB's LTD ratio was 72%.
- ▶ FNB generates a majority of loans within the defined assessment area.
- ▶ Management is doing a reasonable job of originating loans throughout the assessment area.
- ▶ FNB routinely lends to small businesses and low and moderate income families.

The following pages further describe the bank's CRA performance.

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

Small
Institution
Assessment
Criteria

The First National Bank of Grove
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

No complaints relating to FNB's CRA performance have been received since the bank opened in August 1997.

DESCRIPTION OF INSTITUTION

FNB is a \$15 million independent community bank in Grove, Oklahoma (Delaware County). FNB is owned by CRACO, Inc., a multi-bank holding company based in Vinita, Oklahoma.

The bank serves its assessment area with one office, an attached drive-thru facility, and one automated teller machine. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area.

The bank's lending strategy focuses on one-to-four family real estate and commercial lending. As

of December 31, 1997 the loan portfolio represents 63% of total assets, distributed as follows:

Table 1

Loan Type
Percent of
Portfolio

1-4 Family Residential Real
Estate
45%

Commercial & Commercial Real
Estate
10%

Consumer & Credit Card
45%

Source: December 31, 1997 bank financial statement

DESCRIPTION OF THE ASSESSMENT AREA

FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. FNB designated its assessment area as Delaware County. This area consists of seven census tracts in a non-metropolitan statistical area (MSA). Five are "middle income" and two are "moderate income". However, the assessment area was modified during the examination. The revised assessment area now consists of five census tracts in central and north Delaware county, and more accurately represents the bank's customer base and actual lending patterns. Four of these census tracts are "middle income" and one is "moderate income".

Credit needs in this area are generally diverse and typical of a rural community. These include one-to-four family residential and small consumer lending.

The 1997 HUD MSA median family income for the area was \$30,800. The following tables illustrates the income distribution of total families living in Delaware County and the percentage of families within each census tract category of Delaware county.

Table 2

Income Level
Count

Percentage

Low Income

1,802

21%

Moderate Income

1,909

23%

Middle Income

1,884

22%

Upper Income

2,878

34%

Totals

8,473

100%

Source: 1990 Census Data, U.S. Bureau of the Census

Table 3

Percentage of Families Within Each Tract Category

Low Income
Families
Moderate
Income
Families
Middle

Income
Families
Upper
Income
Families
Total

Low Income

Tracts
0%
0%
0%
0%
0%

Moderate

Income
Tracts
29%
22%
22%
27%
100%

Middle

Income
Tracts
19%
23%
22%
36%
100%

Upper

Income
Tracts
0%
0%
0%
0%
0%

Source: 1990 Census Data, U.S. Bureau of the Census

Grove is located in Delaware County approximately 100 miles northeast of Tulsa, Oklahoma, and 70 miles southwest of Joplin, Missouri. It is also located along the banks of Grand Lake, one of Oklahoma's largest lakes with approximately 1,300 total miles of shoreline. This city of slightly more than 5,000 residents is growing with retirees and weekend and summer residents. Tourism is a driving force in the local business success. Approximately 90 percent of the total county population of 28M is located within ten miles of Grove.

The local economy is diversified consisting primarily of retail and small commercial businesses. Major employers in the area include Wal Mart (356), Grove General Hospital (295), Grove Public Schools (220), Eagle Picher Industries (150), and Precision Machine and Manufacturing (100). Many of the residents within the assessment area commute to work in the neighboring states of Missouri and Arkansas. Local banking competition is high, as the city of Grove is served by five financial institutions with a combined total asset base in excess of \$300 million.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio (LTD)

The bank has a reasonable LTD ratio given its asset size, financial condition, and the known credit needs of its assessment area. FNB's quarterly LTD ratio has averaged 67% since the bank opened in September 1996, compared to 73% reported by competing banks in Delaware county. As of December 31, 1997, FNB's ratio was 72%.

The bank has been active in providing credit to develop the community.
Examples include:

Residential lending: Residential real estate loans represent 45% of the bank's loan portfolio.

Commercial Business and Commercial Real Estate lending: Loans to commercial businesses represent 10% of the bank's loan portfolio.

Consumer Instalment lending: Consumer instalment loans represent 45% of the bank's loan portfolio.

Lending in the Assessment Area

A majority of loans are made within the bank's assessment area. We reviewed a total of 24 real estate, 49 consumer, and 22 commercial loans originated during 1997 to reach our conclusions. The following table provides a summary of our findings.

Table 4

Lending in the Assessment Area (\$'s in 000's)

LOAN TYPE

INSIDE

% INSIDE

\$ INSIDE

% INSIDE

Real Estate

18

75%

855

73%

Consumer

29

59%

215

52%

Commercial

19

86%

1,644

91%

Total

66

69%

2,714

80%

Lending to Borrowers of Different Incomes and Businesses of
Sizes

Different

Recent lending patterns indicate a reasonable distribution of loans among applicants of different income levels and businesses of different sizes. Based on our review, the following table illustrates FNB's loan distribution practices by income group and loan type, and are based on the number of loans originated. Noteworthy is the fact that only 12% of the number of real estate loans reviewed were to applicants with low and moderate income levels. Management stated that loan demand by low and moderate income residents in the assessment area is typically centered in small consumer lending.

Table 5

Lending to Borrowers of Different Income Levels

Low Income
Applicants
Moderate
Income
Applicants
Middle
Income
Applicants
Upper

Income
Applicants
Total

Real Estate
6%
6%
50%
38%
100%

Consumer
31%
38%
17%
14%
100%

Source: Same as Table 4.

The loan portfolio also reflects a very good distribution of lending to small businesses, as 100% of the commercial loans we reviewed were to businesses with gross annual revenues less than \$1 million.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. As expected, a substantial majority of loans originated during 1997 were funded across the entire modified assessment area and there was no evidence to suggest that low and moderate income applicants are being arbitrarily denied access to credit. The lower volume of lending in the one moderate income tract within the assessment area is primarily due to two factors. First, less than ten percent of the total families living in the assessment area lives in this moderate income tract. This has impacted the overall level of loan demand. Second, management contends loan demand within this tract is typically centered in consumer instalment loans.

The following table illustrates a percentage summary of the performance in this area.

bank's lending

Table 6

Geographic Distribution of Loans

Low
Income
Tracts
Moderate
Income
Tracts
Middle
Income
Tracts
Upper
Income
Tracts

Real
Estate
N/A
6%
94%
N/A

Consumer
N/A
24%
76%
N/A

Commercial
N/A

11%
89%
N/A

Source: Same as Table 2

Response to Complaints

FNB has not received any complaints relating to their CRA performance.

Compliance with Fair Lending Laws and Regulations

A fair lending review was conducted as part of a compliance examination of FNB. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No violations of law were identified.