



Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

November 15, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The First National Bank of Heavener
Charter Number 9888
P.O. Box 68
400 East 1st Street
Heavener, Oklahoma 74937**

**Office of the Comptroller of the Currency
Tulsa Duty Station
7134 South Yale, 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 Community Reinvestment Act (CRA) performance of **The First National Bank of Heavener, Heavener, Oklahoma** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 15, 1996. 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**” because:

- ▶ The bank’s lending performance reflects a good responsiveness to community credit needs. The loan-to-deposit ratio is 72% compared to 64% for local peer banks.
- ▶ The bank generates a large volume of loans in its assessment area, including low- and moderate-income individuals.
- ▶ The bank routinely lends to borrowers of various income levels and small businesses.
- ▶ Geographic distribution of loans represents a reasonable dispersion throughout the bank’s assessment area.

The following comments further describe the bank’s CRA performance.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The First National Bank of Heavener</u> 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	N/A*	N/A*	N/A*

* Not applicable. No complaints relating to the bank’s CRA performance have been received.

DESCRIPTION OF INSTITUTION

The First National Bank of Heavener (FNB) is a \$34 million independent bank located in Southeastern Oklahoma. The bank, which is owned by First National Bancorporation of Heavener, Oklahoma Inc., operates one full service office and has no branches. In addition, an Automated Teller Machine (ATM) and a cash dispensing machine are strategically located at convenience stores within the city. The bank is not located in a Metropolitan Statistical Area (MSA). As evidenced by the composition of the loan portfolio, the bank's primary business strategy focuses on residential real estate, retail, and small business lending. At September 30, 1996, these categories represented approximately 89% of the bank's loan portfolio. An analysis of the loan mix (as a percentage of average gross loans) is as follows:

1-4 Family Residential Real Estate	39%
Loans to Individuals	37%
Commercial & Industrial	13%

The area economy has grown over the past four years and this growth is expected to continue. The economy is supported by light manufacturing, services, tourism, transportation, and agriculture. No legal impediments or other factors hinder the bank's ability to provide credit to the community.

DESCRIPTION OF THE ASSESSMENT AREA

FNB has identified its assessment area to be a twelve mile radius around the city of Heavener, not including areas extending into Arkansas. This assessment area does not meet the requirements of the regulation because it does not include whole geographies (i.e., complete census tracts). Therefore, management agreed to expand the area to include all of LeFlore County. Of the twelve census tracts served, two are moderate-income tracts, seven are middle-income tracts, and three are not classified. The adjusted assessment area does not arbitrarily exclude low- and moderate- income geographies.

U.S. Census data indicates the median family income for the county is \$24,139. The following table shows the income distribution of **families** living in the assessment area:

Income Level	Count	Percentage
Low Income	3,083	25%
Moderate Income	2,144	18%
Middle Income	2,689	22%

Income Level	Count	Percentage
Upper Income	4,214	35%
Totals	12,130	100%

Source: U.S. Census Data

According to 1990 U.S. Census data, the population of LeFlore County is 43,270. Demographic data reveals that the population is 85% white, 3% black, and 12% American Indian.

Unemployment in the assessment area is low at approximately 3%. The local economy is strong and growing. The railroad industry is well established in Heavener. OK Foods, Inc. is a major employer in the area. This chicken processing plant currently employs over 500 individuals. An anticipated future expansion will provide an additional 500 jobs.

According to housing data, there are 1,186 housing units in Heavener and 18,029 in LeFlore County. Of the units in the county, 66% are owner-occupied. The median year built is 1970, with a median value of \$29,800.

Competition among financial institutions in the area is strong. There is one other community bank in Heavener of approximately the same size with similar characteristics as FNB. Poteau, the largest city near Heavener, has a population of 7,210. There are three banks in Poteau, several investment brokerage firms, and numerous finance companies.

Credit needs in the assessment area are diverse and typical of a rural community. Credit needs are determined through contacts with individuals, churches, and various civic/business groups. Other activities include customer surveys and involvement by bank employees in community organizations.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the bank's asset size, financial condition, and known credit needs of its assessment area. Since the bank's last CRA evaluation in April 1994, FNB's quarterly net loan-to-deposit ratio has averaged approximately 72%. This ratio exceeds the 64% average ratio reported by other financial institutions located in the assessment area.

Lending in the Assessment Area

A substantial majority of the bank's loans are originated within the assessment area. Internal analysis performed by the bank reflected 82% of all loan approvals were within the original twelve-mile assessment area. This indicates the bank is committed to its local communities and takes an active role in meeting credit needs.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

Internal analysis of loans reflects very good distribution among individuals of different income levels. Loan applications are solicited from a cross-section of income levels. Approximately 59% of the bank's loans are to low- and moderate- income applicants. The following table reflects the distribution of approved loans among individuals of various income levels.

*Distribution of Loans by Income Group
From May 1996 to October 1996*

Income Group	# of Loans	Percentage	Avg. Orig. Balance
Low Income	269	30%	\$3,292
Moderate Income	262	29%	\$6,210
Middle Income	202	23%	\$6,162
Upper Income	161	18%	\$39,300
Total	894	100%	N/A

Source: FNB Survey Data

The bank has created a "prime concern" loan where qualified applicants can receive home improvement loans at a prime interest rate, with all fees waived. Bank employees went door-to-door in several neighborhoods to distribute material about this product. FNB allocated 150M for the loan program. At December 12, 1996, the bank reported 26 loans outstanding totalling \$23M.

Although commercial lending represents only 13% of the loan portfolio, an internal analysis revealed a good distribution of loans to businesses of various sizes. A review of seventy-five commercial loans indicated the loans were to businesses with gross annual revenues less than \$1 million. This analysis readily supports the conclusion that FNB is committed to small business lending.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. While detailed data for consumer and business loans is not available by census tract, distribution information is retained by directional quadrants within the assessment area. The following table reflects the bank's loan distribution.

Distribution of Loans by Directional Quadrant at October 31, 1996

Quadrant	Low	Moderate	Middle	Upper	Total
Northeast	20	17	12	9	58
East	20	33	21	15	89
Southeast	36	30	29	16	111
South	21	19	12	6	58
Southwest	61	59	48	20	188
West	40	40	25	27	132
Northwest	45	65	50	37	197
North	65	68	48	72	253
Total	308 (28%)	331 (30%)	245 (23%)	202 (19%)	1,086

Source: FNB Survey Data

Compliance with Fair Lending Laws and Regulations

A fair lending examination was conducted as part of a concurrent 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.