



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

September 12, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First National Bank and Trust Company of Elk City
Charter Number 9952

2714 West 3rd Street
Elk City, Oklahoma 73644

Comptroller of the Currency
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 National Bank and Trust Company of Elk City, Elk City, Oklahoma as prepared by The Comptroller of the Currency, the institution's supervisory agency, as of September 12, 1997. 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**.

First National Bank and Trust Company of Elk City, Elk City, Oklahoma is responsive to the credit needs of the communities which it serves. This is demonstrated by the following:

- C Number and dollar volume of loans extended within the assessment area.
- C Number and dollar volume of loans granted to borrowers with different income levels as well as loans to small farms and small businesses.
- C The variety of products and services offered at the main bank in Elk City and the branch in Sayre, Oklahoma.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>First National Bank and Trust Company of Elk City</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfact ory Performan ce	Meets Standards for Satisfact ory Performan ce	Does not meet Standards for Satisfact ory Performan ce
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distributio n of Loans	Geographical distribution analysis is not meaningful as the assessment area contains no low-to-moderate census tracts.		
Response to Complaints	No complaints were received since the last examination.		

DESCRIPTION OF INSTITUTION

First National Bank and Trust Company of Elk City, (FNB), Elk City, Oklahoma an affiliate of Western Oklahoma Financial Services, Inc., has sufficient resources to devote to meeting community credit needs. There are no known legal, financial, or other factors impeding the bank's ability to help meet the credit needs of the assessment area. FNB's main bank office and drive-in facility is located at 2714 West Third Street in Elk City, Oklahoma. In addition, FNB operates two full service branches at Main and Broadway in Elk City and at 129 East Main in Sayre, Oklahoma. FNB also owns two proprietary automated teller machines (ATM's). One is located within the drive-in facility at 2714 West Third Street and the other is at 3105 West Third Street, Elk City, Oklahoma, inside the Wal-Mart discount store. As of June 30, 1997, FNB had total assets of \$92 million, gross loans of \$40 million, and an average loan-to-deposit ratio of 45 percent. A breakdown by type of loan is reflected in the table below.

Dollar and percentage of loans by type as of December 31, 1997	
Real Estate	63 percent
Loans to Finance Agricultural production and other loans to farmers	14 percent
Commercial and Industrial	13 percent
Installment	10 percent

Although FNB offers a wide variety of credit products, its primary lending focus is the different types of real estate loans and loans to farmers for various purposes. FNB's performance under the CRA was previously evaluated as of July 18, 1994.

DESCRIPTION OF CENSUS TRACT(S) NUMBERED 9661, 9662, and 9664 ALL IN BECKHAM COUNTY, OKLAHOMA.

FNB's assessment area (AA) was modified during the examination to include geographies which consist of whole census tracts. FNB's assessment area is now comprised of the three census tracts encompassing the communities of Elk City and Sayre. The AA includes the geographies where the bank has its main office, branch locations, and deposit-taking ATM's. The AA also includes the surrounding geographies in which the bank originated or purchased a majority of its loans. The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The following is a description of the revised assessment area.

First National Bank and Trust Company of Elk City
Description of assessment area

The population of the AA is 16 thousand people and includes the communities of Elk City and Sayre, Oklahoma. Census tract income characteristics are two middle income and one upper income. Households by income traits within the AA consist of four thousand or 67 percent middle income and two thousand or 33 percent upper income. The weighted average MSA/Non-MSA's updated median family income for the AA is \$31 thousand Median housing value is \$27 thousand.

Elk City: Population of Elk City is 11 thousand people. Largest employers in Elk City include the Great Plains Community Medical Center (450 employees) and Elk City Public School system (300 employees). A new Bar-S distribution center is scheduled to open in the first quarter of 1998 and will employ 300 people when completed. Economy continues to be dependent on agriculture and oil and gas exploration/production. Competition for loans and deposits is provided by five financial institutions plus FNB. This consists of two nationally chartered banks, two state chartered banks, and one federal savings bank.

Sayre: Population of Sayre is 3 thousand people. Economy of Sayre is dependent upon agriculture with wheat being the staple crop. Primary employers include Sayre Memorial Hospital (130 people), Sayre Public School system (90 people), and a satellite campus of Southwestern University in Weatherford, Oklahoma (45 people). The North Fork Correctional Facility is a 1,500 bed private prison currently under construction in Sayre. The prison is scheduled to open in 1998 and will employ 500 people when completed. Competition in Sayre comes from two nationally chartered bank branches.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, the bank is satisfactory in meeting the credit needs of the entire assessment area, including low- and moderate-income individuals and areas, consistent with available resources and capabilities.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is satisfactory. This determination is based on the average loan-to-deposit ratio for the previous twelve quarters. As of June 30, 1997, the twelve quarter average loan-to-deposit ratio for FNB was 45 percent. For comparison purposes, FNB's loan-to-deposit ratio was compared to the 24 banks in the surrounding seven counties. In addition, two counties in the Texas panhandle were included which added an additional seven banks As of June 30, 1997, these 31 banks had loan-to-deposit ratios ranging from 20 percent to 98 percent with the average being 51 percent.

FNB is a participant in the United States Department of Agriculture (USDA) Rural Development Guaranteed Single Family Housing Program. This program provides 90 percent guaranteed loans for qualified low and moderate first time home buyers. FNB became an approved participant in June of 1997 and has made one loan totaling \$50 thousand with an additional \$30 thousand pending.

Adjustments to the loan-to-deposit ratio consisted of removing the dollar amount of public funds on deposit at FNB. Public funds are maintained at FNB's discretion. After adjusting for the volume of public funds on deposit at FNB, the average loan-to-deposit ratio increased to 48 percent FNB does not originate real estate loans for sell into the secondary market.

Lending in Assessment Area

Volume and dollar amount of loans extended inside the assessment area is reasonable FNB uses a zip code analysis to determine volume of loans made inside and outside the designated assessment area. As of June 30, 1997, FNB had 1,101 loans for \$27 million or 66 percent inside the revised assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Distribution of loans to borrowers of different income levels as well as to small farms and businesses is adequate. A sample of all loan products offered by FNB was done to determine income distribution within the assessment area. The review consisted of 36 instalment and real estate loans made within the last twelve months for both the Elk City and Sayre locations. Results of this random sample are illustrated in the following table.

LOANS EXTENDED INCOME CLASSIFICATION	
Income Level	Loan Distribution
Low	31%
Moderate	28%
Middle	10%
High	31%

Based on this sample, the loan distribution approximates the income characteristics of the assessment area. Based on the 1990 census data, 100 percent of the households in the assessment area are characterized as either middle or upper income. According to the table, FNB has granted 41 percent of its loans to either middle or upper income groups. Of special note, is the 59 percent of loans made to low or moderate income individuals or families. Even though the AA has no low or moderate income census tracts, FNB is making loans to this segment of the Elk City population. The level of lending to small farm and small businesses was also calculated as of June 30, 1997. This analysis revealed the bank has \$10 million or 100 percent of its commercial loans to small businesses and \$14 million or 93 percent of its agricultural loans to small farms.

Geographic Distribution of Loans

A geographic distribution analysis is not meaningful as the assessment area contains no low-to-moderate income census tracts.

No practices were noted which were intended to discourage types of credit offered. Management solicits credit applications from all segments of the community, including low- and moderate-income neighborhoods. Our review revealed substantial compliance with all the provisions of the antidiscrimination laws and regulations. The board and management have developed adequate policies, procedures, and training programs to prevent discriminatory or other illegal credit practices.

Response to Complaints

No complaints concerning the CRA have been received since the last examination.