



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **PUBLIC DISCLOSURE**

**February 2, 2004**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**First National Bank in Okeene  
Charter Number 10913**

**124 North Main  
Okeene, Oklahoma 73763**

**Assistant Deputy Comptroller  
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**NOTE:** This document is an evaluation of this 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. 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.

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## ***FIRST NATIONAL BANK IN OKEENE'S CRA RATING***

**This institution is rated Satisfactory.**

The major factors that support this rating include:

- A majority of the loans are made within the assessment area.
- The performance is satisfactory for lending to borrowers of different incomes and to farms and businesses of different sizes.
- The bank is adequately meeting the lending needs of the assessment area.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

The First National Bank in Okeene, Oklahoma is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.

## ***DESCRIPTION OF FIRST NATIONAL BANK IN OKEENE***

First National Bank in Okeene (FNB) is headquartered in Okeene, Oklahoma. The bank is entirely owned by the two-bank holding company Grace Investment Company, Inc. of Alva, Oklahoma. At December 31, 2003, the holding company had total assets of \$38 million. The bank is affiliated by common ownership with Alva State Bank, Alva, Oklahoma. FNB operates a single full service bank and drive-through in Okeene at 124 North Main. No branch locations have been opened or closed since the previous CRA examination. FNB's primary focus is to serve the agricultural community in and around Okeene. FNB meets the loan and deposit needs of the local community by providing various loan and deposit products, Farm Services Agency guaranteed loans, and other financial services.

As of December 31, 2003, FNB reported \$71 million in total assets, of which a quarter is in various types of loans to small farms, businesses, and individuals. At year-end December 2003, FNB reported the loan totals in the table below.

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Agricultural	12,310	67%
Commercial Loans	3,396	19%
Commercial Real Estate Loans	1,921	10%
Consumer Loans	790	4%
<b>Total</b>	<b>\$18,417</b>	<b>100%</b>

FNB received an overall rating of "Satisfactory" at the previous Community Reinvestment Act Examination dated September 20, 1999. There are no legal or financial impediments to prevent FNB from meeting the credit needs of the designated assessment area. The bank is highly dependent on loan customers in the wheat and cattle markets; however, management remains conservative in lending practices. FNB is involved in the community's financial needs and support.

## ***DESCRIPTION OF THE FNB IN OKEENE ASSESSMENT AREA***

FNB's assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income areas. The assessment area is described as the three Census Tract Block Number Areas (BNA) in Blaine and Major counties in Northwest Oklahoma. The BNA's are #9586 and #9588 in Blaine County and BNA #9551 in Major County. FNB is located in BNA #9586 in Blaine County.

The total population of the assessment area is 5,880 people. Although there are no low- or moderate-income census tracts in the assessment area, there are low- and moderate-income families in the assessment area. Of the 2,349 households, 13 percent are below the poverty level. The median housing value is \$45,374 with the median age of housing stock at 39 years. The unemployment rate for the assessment area is low at one percent.

The local economic conditions are satisfactory with room for improvement. The economy is reliant on the agricultural industry, a few area businesses, and the public school system. The largest employers in the area are the United States Gypsum plant, the Okeene Annex and Hospital, and the public school district. FNB's major competitors include one local financial institution, State Guaranty Bank in Okeene. Other local competitors include several similar sized community banks located in or near the assessment area.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<b>Population</b>	
Number of Families	1,724
Number of Households	2,349
<b>Geographies</b>	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0
<b>Median Family Income (MFI)</b>	
1990 MFI for AA	\$38,213
2000 HUD-Adjusted MFI	\$39,400
<b>Economic Indicators</b>	
Unemployment Rate	1%
2000 Median Housing Value	\$45,374
% of Households Below Poverty Level	13%

A community contact was performed in the bank's assessment area to help ascertain the credit needs of the community. According to the contact, the immediate needs of the community are being met. The contact indicated that credit needs of the area revolve around the need for additional affordable single-family housing and funding area business financial needs. The contact further stated that this bank and the other financial institutions in the area are actively involved in the community.

## ***CONCLUSIONS ABOUT PERFORMANCE CRITERIA***

This Performance Evaluation (PE) assesses FNB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio; lending in the assessment area (AA); lending to borrowers of different incomes and to businesses/farms of different sizes; geographic distribution of loans; and, responses to complaints. Because FNB's assessment area does not include any low- or moderate-income census tracts, an analysis of the geographic distribution of the bank's loans within the assessment area was not performed.

To evaluate the bank's lending performance, a random sample of 57 loans was reviewed. Major loan products offered by the bank were sampled and consisted of 27 consumer loans and 30 farm/business loans, which originated since December 31, 2002.

Based on the analysis and consistent with available resources and capabilities, the bank is meeting the credit needs of the assessment area in a satisfactory manner.

### ***Loan-to-Deposit Ratio***

The loan-to-deposit ratio is satisfactory. This determination is based on the bank's quarterly average loan to deposit ratio of 45 percent. The actual ratio at September 30, 2003 was 40 percent. The bank's loan-to-deposit ratio fluctuates due to the seasonal agricultural lending.

The average loan-to-deposit ratio for the 33 banks in the assessment area and contiguous counties at September 30, 2003 was 60 percent, with actual ratios ranging from 15 percent to 99 percent. The average loan-to-deposit ratio for the banks considered to be the primary competitors in the trade area (listed below) is 48 percent.

<b>Institution</b>	<b>Assets as of (9/30/03) (000's)</b>	<b>Average LTD Ratio</b>
First State Bank, Watonga	\$32,508	64.68%
Farmers and Merchants NB of Fairview	\$54,445	50.16%
Watonga State Bank	\$61,367	46.13%
<b><i>First National Bank in Okeene</i></b>	<b><i>\$63,892</i></b>	<b><i>44.92%</i></b>
State Guaranty Bank, Okeene	\$29,132	33.66%

Factors affecting the lower than average loan to deposit ratio are consistent with the low loan demand from the agricultural industry. Recent dry weather conditions and fluctuations in cattle prices are forcing some small farm operators to cut back on operations and subsequent credit requests.

In the assessment area, the elderly represent 19 percent of the population, and 50 percent of the population is dependent on social security or retirement income. Thirteen percent of the population earns below the poverty income level. A review of consumer loans noted that the bank does extend credit to low-and moderate-income level persons. Due to the short-term maturities of small consumer loans and the normally lower dollar amount, the impact is not accurately reflected in the loan to deposit ratio.

***Lending in Assessment Area***

FNB’s lending in the AA is good. A majority of credit is extended within the assessment area. The number of credits extended and percentage meets the standard for satisfactory performance as illustrated in the table below.

<b>TOTAL LOANS REVIEWED</b>										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		#	%	#	%	
Consumer	26	96%	1	4%	27	\$113	98%	\$2	2%	\$115
Ag/Business	25	83%	5	17%	30	\$3,417	72%	\$1,322	28%	\$4,739
Totals	51	89%	6	11%	57	\$3,530	73%	\$1,324	27%	\$4,854

*Source: Data from sample of loans.*

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

FNB overall distribution of loans by income level of borrowers meets the standard for satisfactory performance. The following tables represent the distribution of lending based on the sample of 11 of the 26 consumer loans with income information and 25 farm/business loans located in the assessment area.

FNB’s distribution of consumer loans by income level is satisfactory. The percentage of the number of home purchase loans to low-income and moderate-income borrowers is higher than the percentage of low-income and moderate-income families in the assessment area. FNB’s performance is satisfactory in light of the fact that 13 percent of the households in the assessment area have incomes below the poverty level.

<b>BORROWER DISTRIBUTION OF CONSUMER LOANS</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	20%	18%	14%	27%	19%	18%	47%	37%

Source: Loan sample.

FNB's loan distribution to small businesses/farms is satisfactory. The percentage of bank loans to farms/businesses with revenues less than \$1 million is higher than the percentage of farms/businesses with revenues less than \$1 million located in the assessment area.

<b>BORROWER DISTRIBUTION OF SMALL LOANS TO FARMS/BUSINESSES</b>		
Farm/Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Farms/Businesses	78%	4%
% of FNB Loans in AA #	88%	12%
% of FNB Loans in AA \$	31%	69%

Note: 18% of Farms and Businesses did not report revenue.

### ***Geographic Distribution of Loans***

No analysis of geographic distribution of credit within the assessment area was performed, as the assessment area contains no low- or moderate-income Census Tracts.

### ***Responses to Complaints***

FNB has not received any complaints regarding their performance in helping to meet assessment area credit needs during this evaluation period.

## ***FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW***

We found no evidence of illegal discrimination or other illegal credit practices during our review.