



Comptroller of the Currency
Administrator of National Banks

Small Bank

PUBLIC DISCLOSURE

January 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**McClain County National Bank
Charter Number 12134**

**131 West Main
Purcell, Oklahoma 73080**

**Comptroller of the Currency
Southwestern District
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 **McClain County National Bank, Purcell, Oklahoma** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of January 4, 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. Consistent with resources and capabilities, the bank is meeting the credit needs of the assessment area, including those of low- and moderate-income individuals, in a reasonable manner.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>McClain County National Bank</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	No complaints have been received since the prior examination		

DESCRIPTION OF INSTITUTION

McClain County National Bank, Purcell, Oklahoma (MCNB) is headquartered in Purcell, Oklahoma. MCNB is an affiliate of McClain County Bancorporation, a bank holding company. The main bank is located at 131 West Main with a mortgage company and drive-in facility at 200 North Third Street in Purcell, Oklahoma. A full service branch is located at 101 East Broadway in Lexington, Oklahoma. Automated Teller Machines (ATM) are available at 1600 N. Green Avenue in Purcell, and at the branch in Lexington. MCNB's primary focus is to serve commercial, agricultural, and consumer customers in the above communities and the surrounding areas. MCNB meets these needs by providing various loan and deposit products, as well as a retail nondeposit investment center and a mortgage department.

As of September 30, 1998, MCNB's total assets equaled \$113,501,000, of which \$60,553,000 or 53.35 percent, were composed of various types of loans to individuals and businesses. The loans and leases consisted of \$45,854,000 in real estate loans, (75.72 percent), \$8,425,000 in consumer loans, (13.91 percent), \$3,988,000 in commercial loans, (6.59 percent), and \$2,286,000 in agricultural loans, (3.78 percent).

There are no known legal, financial, or other factors impeding management's ability to help meet the credit needs of the assessment area. MCNB's performance under the CRA was previously evaluated as of August 1, 1996.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area adopted by MCNB's board of directors meets the requirements of the regulation and does not arbitrarily exclude any low or moderate income geographies. The assessment area is described in more detail below.

McClain County National Bank, Purcell, Oklahoma, Assessment Area

The assessment area encompasses seven contiguous census tracts in South Central Oklahoma. The tracts include all of McClain County and southern Cleveland County including the communities of Lexington, Noble, and Slaughterville. The main bank and mortgage company/drive-in facility are located in tract 4003.98. The Lexington Branch is located in tract 2026.

The adopted assessment area is justified by the following internally generated statistics. For all loan types as of December 31, 1998, 64 percent are within the assessment area.

Based on 1990 census data, the United States Census Bureau identified no low income census tracts in the assessment area. Four of the seven census tracts are identified as moderate income. These are census tract 4003.98 which encompasses the city of Purcell, census tract 4004.98 located in eastern McClain County including the towns of Byars and Rosedale, census tract 2025 encompasses the city of Noble, and census tract 2026 includes the city of Lexington. Three of the census tracts are identified as middle income tracts. There were no census tracts identified as upper income tracts.

United States Census Bureau information as of 1990 reflected a total population of 37,382 in the assessment area. The area contained 14,416 housing units with 10,052 or 70 percent owner occupied. Additionally, there were 10,240 families and 12,780 households in the area. Seventy-six percent of the households derive their income from wages or salaries. The largest employment sectors were services, retail trade, and construction.

The assessment area is served by four other chartered banks with headquarters in area. The area is also served by branch locations of other banks and federal savings banks that are headquartered out of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Overall, the bank is satisfactory in meeting the credit needs of the entire assessment area, consistent with available resources and capabilities.

Loan to Deposit Ratio

The loan to deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The average quarterly loan to deposit ratio from September 30, 1996, through September 30, 1998, was 59.78 percent. The ratio as of September 30, 1998, was 62.43 percent. The low ratio for the period was 57.99 percent at March 31, 1998. The high ratio for the period was 62.90 percent at June 30, 1998.

MCNB's ratio compares favorably to the average loan to deposit ratio for the 22 banks operating in the assessment area. The average ratio for this group of banks was 56.86 percent at September 30, 1998. The low ratio in this group was 21.56 percent and the high ratio was 78.28 percent.

MCNB's ratio also compares reasonably well to the average loan to deposit ratio for the four other banks headquartered in the assessment area. The average for this group of banks was 65.55 percent at September 30, 1998. This was up from 58.27 percent at September 30, 1997. The low ratio in this group was 58.14 percent and the high ratio was 78.28 percent at September 30, 1998.

Lending in Assessment Area

A majority of credit extended is within the assessment area. Analysis of bank generated reports for the loan portfolio as of December 31, 1998, noted the following results:

Loans	% of Loans Inside Area	% of Loans Outside Area	% of Loan Dollars Inside Area	% of Loan Dollars Outside Area
1,808 loans for \$35,907,000	64.46%	35.54%	57.49%	42.51%

The loan data corroborates the internal information used to justify the assessment area.

In order to meet long-term home mortgage credit needs, MCNB has operated a mortgage company for many years. The mortgage company is headquartered in Purcell and also has an office in Norman.

Through the mortgage company, MCNB is actively participating in providing housing to Native Americans. MCNB is an approved lender in the Native American Housing Loan Guarantee Program (HUD Section 184 loans). This program offers Native American borrowers extended access to housing finance options, provides construction and permanent financing, increases affordability, and allows flexibility in qualifying for loans. During 1998, 23 program loans totaling approximately \$1.45 million were originated. In 1997, the first partial year of the program, nine loans totaling approximately \$600 thousand were originated.

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

The distribution of borrowers reflects a reasonable penetration among individuals as well as businesses and farms of different income levels within the assessment area. The following table reflects income data collected from the sample of consumer loans selected for review. (Note, all of the loans included in the review contained information about income levels).

Description	% to Low Income Borrowers	% to Moderate Income Borrowers	% to Middle Income Borrowers	% to Upper Income Borrowers
Number of Loans (43)	32.56%	25.58%	23.26%	18.60%
Dollars of Loans (\$191,147)	16.91%	52.91%	13.13%	17.05%

The number of loans to each income group compares well to the distribution of households and families by income level, as illustrated below:

Description	% Low Income (<50% of Median)*	% Moderate Income (50-80% of Median)*	% Middle Income (80-120% of Median)*	% Upper Income (>120% of Median)*
Households (12,780)	26.34%	16.78%	20.52%	36.36%
Families (11,874)	23.15%	21.70%	23.90%	31.25%

*1990 census median family income for the assessment area was \$28,088. Median household income for the assessment area was \$25,090.

Additionally, the sample of 14 commercial and agricultural loans reviewed revealed that 79 percent were extended to entities with annual gross revenues of less than \$1,000,000 per year.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The census tracts of approved 1998 HMDA loans were used to determine the geographic distribution of loans, since MCNB does not routinely track the distribution of the entire loan portfolio. This information was then compared to the distribution of population, families, and households from the 1990 census data. The results are reflected on the following table:

Distribution of 1998 HMDA Loans Compared to Population, Families, and Households				
Tract #	% of HMDA loans (80)	% of population (37,382)	% of families (10,240)	% of households (12,870)
2024.98	2.50%	19.61%	14.69%	14.03%
2025	5.00%	13.39%	14.36%	14.29%
2026	12.50%	6.02%	5.80%	6.40%
4001	7.50%	24.27%	26.03%	25.38%
4002.98	7.50%	21.05%	22.27%	21.97%
4003.98	36.25%	12.71%	13.71%	14.63%
4004.98	0.0%	2.95%	3.14%	3.30%
Outside AA	28.75%	N/A	N/A	N/A
Totals	100.00%	100.00%	100.00%	100.00%

Note, that census tracts 2025, 2026, 4003.98, and 4004.98 are the moderate income census tracts in the assessment area. Census Tract 4004.98 lacks penetration because of the small size of the population and longer distance from the bank's facilities. Higher levels of penetration are in tracts 2026 and 4003.98 because these tracts are where the bank's branch and main office are located.

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the last examination in July of 1996.

Fair Lending Matters

No violations of the substantive provisions of anti-discrimination laws and regulations were identified. Additionally, no evidence of discrimination or disparate treatment was found. MCNB's lending practices are reflective of anti-discrimination policies.