

PUBLIC DISCLOSURE

September 30, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The State National Bank of Heavener
Charter Number: 10239**

**101 East Avenue B
Heavener, Oklahoma 74937**

**Office of the Comptroller of the Currency
Tulsa Field Office
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 Community Reinvestment Act (CRA) performance of **The State National Bank of Heavener, Heavener, Oklahoma**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **September 30, 1999**. 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 State National Bank of Heavener will be referred to as "SNB."

INSTITUTION'S CRA RATING: This institution is rated ***Satisfactory***.

- C The bank's loan-to-deposit (LTD) ratio exceeds the standard for satisfactory performance. The LTD ratio averaged 72.10% since the July 17, 1997 performance evaluation. The peer group average for similar banks operating in the assessment area was 61.56% for the same time period. As of September 30, 1999, the bank's LTD ratio was 78.60%.
- C SNB's lending in the assessment area exceeds the standard for satisfactory performance.
- C Management demonstrates a willingness to originate loans to low- and moderate-income individuals (LMI) and small businesses and farms.
- C The 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 State National Bank of Heavener** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The State 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	No complaints have been received since the prior CRA public evaluation.		

DESCRIPTION OF INSTITUTION

SNB is a \$48 million independent community bank located in Heavener, Oklahoma. SNB is 100% owned by State National Bancshares, Inc., a one-bank holding company. SNB operates from its main bank facility located at 101 East Avenue B which includes a drive-thru facility. In August 1997, SNB opened its only branch office located in Heavener, Oklahoma, which includes a four lane drive-thru facility. Hours of operation are responsive to the general banking needs of the communities served. Hours of operation between the main bank and branch location range from 7:30 a.m. to 6:00 p.m. on Monday - Friday. Additionally, the branch office is open on Saturday morning from 7:30 a.m. to 12:00 p.m.

SNB was last evaluated under the CRA on July 17, 1997. A **Satisfactory** rating was assigned. There are no legal, financial, or other barriers impeding the bank's ability to meet the credit needs of the assessment area. Although SNB offers a wide variety of credit products, its primary focus has been one-to-four family residential real estate and consumer related loans. On September 30, 1999, the loan portfolio distribution was as follows:

September 30, 1999 Loan Portfolio Distribution		
Loan Type	Amount (\$000)	Percent of Total
REAL ESTATE:		
Construction Land Development	0	0%
Farmland	770	2%
1-4 Family	11,808	34%
Multifamily	0	0%
Commercial	6,744	20%
SUBTOTAL REAL ESTATE	19,322	56%
AGRICULTURE:	1,759	5%
COMMERCIAL:	6,322	18%
CONSUMER:	7,043	21%
OTHER:	65	0%
TOTAL	34,511	100%

DESCRIPTION OF SNB’s ASSESSMENT AREA

SNB has designated the entire LeFlore County as its assessment area. This delineation meets the technical requirements of the regulation and does not arbitrarily exclude LMI geographies. There are twelve census tracts in LeFlore County. Of the twelve census tracts, two are moderate-income, seven are middle-income, and three have not been assigned a particular income designation. According to 1990 United States Census data, LeFlore County has a population of 43,270. Demographic data reveals that 84% of the population is White, 12% is American Indian, 3% is African American, and 1% is of Hispanic origin.

The local economy is heavily dependent upon agriculture (cattle, lumber, and poultry). Heavener, Oklahoma has a switching facility for the Kansas City Southern Railway. The unemployment rate was approximately 5%, according to our community contact. Major employers include OK Foods Corp. (800), Kansas City Southern Railway (105), and Caughern Construction (75).

Including subject bank, there are six commercial banks operating in the assessment area. There are also investment brokerage firms and finance companies operating in the assessment area. Competition among financial institutions is strong.

One-to-four family residential real estate is the largest concentration in the bank’s loan portfolio. Based on the 1990 U.S. Census data, the weighted average median housing value is \$33,946. The percentage of households receiving social security is 33.58%. The percentage of households living below the poverty level is 24.15%. The weighted average metropolitan statistical area (MSA)/Non MSA Updated Median family income for 1999 was \$32,700. The following table illustrates the percentage of families by their income level:

Family Income Level	Count	Percentage
Low Income	3,083	25%
Moderate Income	2,144	18%
Middle Income	2,690	22%
Upper Income	4,213	35%
Total	12,130	100%

COMMUNITY CONTACT

To better understand the general credit needs of citizens residing within the assessment area, we visited with the Manager of the Heavener Chamber of Commerce. Based on information from this contact, a need for housing and medical care for low-income residents was identified.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

SNB’s LTD ratio **exceeds** the standard for satisfactory performance given the bank’s size, financial condition, and identified credit needs of the assessment area. The bank’s LTD ratio averaged 72.10% since the July 17, 1997 performance evaluation. The bank’s local competitors had an average LTD ratio of 61.56% for the same time period. The peer group consists of subject bank and five other commercial banks operating within the assessment area. The national peer group, which consists of 537 banks, had an average LTD ratio of 67.51%.

Lending in the Assessment Area

SNB’s lending within the assessment area **exceeds** the standard for satisfactory performance. This conclusion was drawn from a judgmental sample of one-to-four family residential real estate, consumer, and small business/small farm loans. The table below reflects the number and dollar amount of loans sampled, as well as the percentages of loans originated within the assessment area.

Lending Practices Within the Assessment Area				
Loan Type	# inside	% inside	\$ inside	% inside
Real Estate	20	100%	743M	100%
Consumer	23	88%	380M	95%

Lending Practices Within the Assessment Area				
Small Business/Farms	11	92%	2,579M	95%
Aggregate	54	93%	3,702M	96%

Source: OCC Loan Sample

Lending to Borrowers of Different Income Levels and Businesses of Different Sizes

SNB's lending pattern reflects **satisfactory** performance among borrowers of different income levels and businesses of different sizes. As captioned below, 25% of the families within the assessment area are low-income and 18% are moderate-income. Based on our sample, the percentage of real estate loans to low- and moderate-income families, was 5% and 15%, respectively. Management attributes these low percentages to lower-income applicants desire to rent as opposed to owning a home. Reportedly, this aversion to home ownership exists despite the fact home ownership, in many cases, is cheaper than renting. Another explanation, unique to this assessment area, is the popularity of mobile homes. Reportedly, many of these mobile homes are situated on land not owned by the mobile home occupant. Thus, no real estate mortgage is ever taken and these loans are not reported on the bank's home loan activity register, which is where our sample was derived. Competition is another factor impacting the bank's penetration of real estate loans to low- and moderate-income families.

The bank's percentage of consumer loans to low- and moderate-income families is more in parity with the percentage of low-income families and exceeds the percentage of moderate-income families. The bank does not have a minimal loan amount. The chart below reflects the lending pattern for the loan types in our judgmental sample.

Percentage Distribution of Loans Reviewed Within the Bank's Assessment Area by Income Level of the Borrower	
Area Median Family Income	\$32,700

Percentage Distribution of Loans Reviewed Within the Bank's Assessment Area by Income Level of the Borrower				
Income Level of the Borrower	Percentage of Real Estate Loans Reviewed	Percentage of Consumer Loans Reviewed	Combined Percentage of Real Estate & Consumer Loans Reviewed	Percentage of Families Within the Assessment Area
Low (Less than 50% of median income)	5	22	14	25
Moderate (50 to 80% of median income)	15	26	21	18
Middle (80 to 120% of median income)	30	35	33	22
Upper (Greater than 120% of median income)	50	17	32	35
Total	100	100	100	100

Source: OCC Loan Sample

SNB's lending pattern to small businesses and farms reflects very good dispersion. Eleven small business and farm loans were sampled. These loans were originated in the assessment area and 82% had revenues of less than one million dollars. The chart below reflects the lending pattern of small business and farm loans in our sample.

Small Business Loans in Assessment Area		
Business Revenue	Small Business Loans	
	Number	Percent
< = \$100,000	2	18%
\$100,001 to \$250,000	3	27%
\$250,001 to \$500,000	3	27%
\$500,001 to \$750,000	1	10%
\$750,001 to \$1,000,000	0	0%
\$ Over \$1,000,000	2	18%
Total:	11	100%

Source: OCC Loan Sample

Geographic Distribution of Loans

Based on our judgmental loan sample, an analysis of the distribution of loans by income level of the census tracts revealed **satisfactory** distribution. There are two moderate-income census tracts and seven middle-income census tracts in the assessment area. The following tables displays SNB’s lending pattern among the various income level census tracts.

Distribution of Loans Reviewed Within the Bank’s Assessment Area By Income Level of the Geography				
Area Median Family Income				\$32,700
Income Level of Geography	Percentage of Residential Real Estate Loans Reviewed	Percentage of Consumer Loans Reviewed	Percentage of Small Business Loans Reviewed	Percentage of Population within the Assessment Area
Moderate (50 to 80% of median income)	5%	9%	9%	17%
Middle (80 to 120% of median income)	95%	91%	91%	83%

Source: 1990 Census Data and Loan Sample

According to demographic data, 17% of the population lives in moderate-income census tracts and the remainder resides in middle-income census tracts. Management attributes its lower penetration in moderate-income census tracts on the fact that it does not operate a banking facility in either of the moderate-income census tracts. Also, a majority of the households receiving social security live in the moderate-income census tracts of the assessment area. Higher percentages of customers receiving social security suggests less of a need for loan products due to the older age of these prospective customers.

Response to Complaints

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

Compliance with Fair Lending Laws and Regulations

During our compliance examination, we also completed a fair lending review to determine if lending decisions are consistent among similarly qualified applicants, regardless of any prohibited basis listed in 12 CFR 202.2(z) - *Equal Credit Opportunity Act (ECOA)*. We found no evidence of discriminatory lending acts or practices. The bank is in compliance with the substantive provisions of ECOA.

