



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**February 23, 2004**

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

**The Fort Sill National Bank  
Charter Number 14546**

**1647 Randolph Road  
Fort Sill, Oklahoma 73503**

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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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## ***INSTITUTION'S CRA RATING***

### **This institution is rated “Outstanding”**

- Fort Sill National Bank’s (FSNB’s) lending performance is outstanding given performance context issues. FSNB’s lending focus is the military community. The bank makes a high volume of small consumer loans, most of which benefit low- and moderate-income military personnel.
- FSNB’s distribution of loans to borrowers of different income levels is outstanding. A significant amount of the loans originated by FSNB are to borrowers of low- and moderate-incomes.
- A majority of FSNB’s loans have been extended to their military customer base.
- FSNB has developed a wide variety of innovative products and services, specifically designed to meet the banking needs of active and retired military personnel and their families, wherever they may be located throughout the world.
- The bank’s loan-to-deposit ratio exceeds other similarly situated military oriented banks.

## ***DESCRIPTION OF INSTITUTION***

FSNB is a \$245 million dollar bank headquartered on the Fort Sill Army Post, located in Lawton, Oklahoma. FSNB is a subsidiary of J.R. Montgomery Bancorporation (JRMB). JRMB is a two-bank holding company, also headquartered in Lawton, Oklahoma. FSNB's affiliate bank is City National Bank, located in Lawton, Oklahoma, with total assets of \$177 million at December 31, 2003. FSNB operates a main office, in addition to 16 full-service branches, and two service centers throughout the United States, both on and off military installations. FSNB primarily serves the banking needs of the military community located on six military installations across the United States. The bank has branch facilities in Oklahoma, Texas, North Carolina, South Carolina, California, and Delaware.

FSNB's primary business focus is to provide a wide range of loan products and services to meet the needs of the military community. The military community consists of active duty or retired military and civil service personnel or their dependents serving or working on the military installations of Fort Sill, Oklahoma; Shepard Air Force Base, Wichita Falls; Texas, Marine Corps Recruit Depot, Parris Island, South Carolina; Dover Air Force Base, Dover, Delaware; Camp Lejeune/Camp Geiger/Camp Johnson/New River Air Station, and Fort Bragg, North Carolina; and Marine Air Ground Task Force Training Command, Twentynine Palms, California. FSNB has over 114 thousand deposit accounts. A predominant amount of the bank's deposit and loan accounts are to enlisted military personnel whose incomes are considered low in relation to the January 1, 2004 U.S. Median Family Income of \$63,278.

Since the last CRA review, dated February 17, 1998, FSNB has opened nine new banking facilities. One location was opened in Twentynine Palms, California, and eight locations in North Carolina. The following table depicts banking locations, including branches, and the number of Automated Teller Machines (ATMs) provided:

| <b>Military Installations</b>                                    | <b>Number of Banking Locations</b> | <b>Automated Teller Machines</b> |
|--|------------------------------------|----------------------------------|
| Fort Sill Army Post, Lawton, Oklahoma                            | 4                                  | 16                               |
| Sheppard Air Force Base, Wichita Falls, Texas                    | 2                                  | 10                               |
| Marine Corps Recruit Depot, Parris Island, South Carolina        | 1                                  | 3                                |
| Dover Air Force Base – Dover, Delaware                           | 2                                  | 5                                |
| Marine Corps Ground Combat Center – Twentynine Palms, California | 2                                  | 9                                |
| New River Marine Base - Jacksonville, North Carolina             | 8                                  | 11                               |
| <b>Totals</b>  | <b>19</b>                          | <b>54</b>                        |

As of December 31, 2003, the bank's total assets equaled \$245 million with Tier 1 capital of \$29 million. Loans totaled \$54 million and represent 22 percent of total assets. Approximately 50 percent of the bank's loans are consumer loans. The table below illustrates the bank's distribution of loans by major loan types, as of December 31, 2003:

| <b>Loan Category</b> | <b>\$ (000s)</b> | <b>%</b>    |
|----------------------|------------------|-------------|
| Consumer Loans       | 27,007           | 50%         |
| Real Estate Loans    | 22,429           | 41%         |
| Commercial Loans     | 1,666            | 3%          |
| Other Loans          | 3,093            | 6%          |
| <b>Totals</b>        | <b>\$54,195</b>  | <b>100%</b> |

There are no legal, financial, or other factors impeding FSNB's ability to help meet the credit needs of its deposit base. FSNB was rated "Outstanding" at the previous CRA examination dated February 17, 1998.

A community contact was performed during the CRA review with the Director of Resource Management, who acts as the liaison between Fort Sill Army Post and the two financial institutions located on post (FSNB and a credit union). According to the contact, the on post financial institutions do a good job of being involved with the military community and providing needed banking services. The contact was particularly complementary of FSNB and the innovative and flexible credit and deposit products offered to meet the needs of enlisted personnel.

## ***DESCRIPTION OF THE ASSESSMENT AREA OF FORT SILL NATIONAL BANK***

FSNB defines its assessment area as all active or reserve military personnel and their dependents, retired military and civil service personnel throughout the world. The CRA regulation allows this option to banks whose business predominantly consists of serving the needs of military personnel or their dependents that are not located within a defined geographical area.

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

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

FSNB's loan-to-deposit ratio is considered good in light of performance context issues. Because FSNB makes primarily small dollar consumer loans to the military community, more weight was placed on the number of loans originated than the dollar amount of loans. This approach provides a better indicator of the bank's lending performance.

Lending volume in terms of the number of loans made is outstanding. During 2002 and 2003, FSNB originated 8,396 and 7,427 loans totaling \$35 million and \$36 million, respectively. The average dollar amount of loans originated in 2003 was less than \$5 thousand. Of the 7,427 loans originated in 2003, 1,544 were Graduation Loans and 1,557 were Permanent Change of Station (PCS) and relocation loans. These are small, unsecured, low interest loans designed to benefit low-income military personnel. While originations in 2002 and 2003 represents a significant level of lending, originations are down considerably due to the troop deployment to the Middle East.

As illustrated in the table below, FSNB's loan-to-deposit ratio exceeds similarly situated military banks with total assets ranging from \$170 million to \$529 million. The average loan-to-deposit ratio for this group of banks was 21.50 percent.

| <b>Institution</b>                      | <b>Assets as of (9/30/03) (000's)</b> | <b>Average LTD Ratio</b> |
|---|---------------------------------------|--------------------------|
| Eisenhower National Bank                | \$170,567                             | 15.23%*                  |
| Armed Forces Bank, National Association | \$528,965                             | 23.30%*                  |
| Fort Hood National Bank                 | \$175,584                             | 25.97%*                  |
| <b><i>Fort Sill National Bank*</i></b>  | <b><i>\$245,660</i></b>               | <b><i>35.12%**</i></b>   |

\*Quarterly average LTD ratio for the last four quarters.

\*\*Quarterly average LTD ratio since the prior CRA review.

**Lending in Assessment Area (i.e. Loans to Military Personnel, Active and Retired)**

FSNB has extended a majority of loans to active and retired military personnel and their families. Due to the bank's focus on originating small consumer loans to low-income military personnel, most weight is given to the number of consumer loans made versus the dollar amount of loans. Conversely, since commercial lending is not a primary focus of the bank, little weight is given to the bank's commercial loan distribution. The table below reflects the bank's distribution of loans to military and non-military personnel by the dollar amount and number of loans outstanding, as of December 31, 2003.

| <b>Loan Portfolio</b> |                 |     |              |     |       |                 |     |              |     |          |
|-----------------------|-----------------|-----|--------------|-----|-------|-----------------|-----|--------------|-----|----------|
| Loan Type             | Number of Loans |     |              |     |       | Dollar of Loans |     |              |     |          |
|                       | Military        |     | Non-Military |     | Total | Military        |     | Non-Military |     | Total    |
| #                     | %               | #   | %            | #   |       | %               | #   | %            |     |          |
| Consumer              | 4,758           | 65% | 2,576        | 35% | 7,334 | \$16,277        | 65% | \$8,857      | 35% | \$25,134 |
| Commercial            | 266             | 25% | 780          | 75% | 1,046 | \$8,406         | 35% | \$15,549     | 65% | \$23,955 |
| <b>Totals</b>         | 5,024           | 60% | 3,356        | 40% | 8,380 | \$24,683        | 50% | \$24,406     | 50% | \$49,089 |

The number and dollar volume of loans to the military have declined significantly in the last year due to the increased deployment of military troops throughout the world. Overall loan demand has declined somewhat since the last CRA examination as military installations were undergoing reductions in force prior to September 11, 2001.

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

The distribution of loans to borrowers of different income levels reflects outstanding performance. As illustrated in the table below, a significant percentage of the bank's loans, both by number and dollar volume, are made to borrowers with low- and moderate-incomes. This demonstrates FSNB's commitment to address the credit needs of their deposit base, particularly the credit needs of low- and moderate-income individuals. The following table reflects the bank's distribution of loans by the number and dollar volume of loans to active duty and retired military personnel by income category:

| <b>Borrower Distribution of Loans ***</b>             |                           |                |                                |                |                              |                |                             |                |
|---|---------------------------|----------------|--------------------------------|----------------|------------------------------|----------------|-----------------------------|----------------|
| Description   | % to Low Income Borrowers |                | % to Moderate Income Borrowers |                | % to Middle Income Borrowers |                | % to Upper Income Borrowers |                |
|   | Number                    | Dollars (000s) | Number                         | Dollars (000s) | Number                       | Dollars (000s) | Number                      | Dollars (000s) |
| Total Loans to Military Personnel (#5,024) (\$24,683) | 67% (3,356)               | 49% (\$12,036) | 28% (1,393)                    | 36% (\$8,818)  | 4% (207)                     | 10% (\$2,535)  | 1% (69)                     | 5% (\$1,294)   |

\*\*\*Income levels were based on the January 1, 2004 U.S. Median Family Income of \$63,278

## *Geographic Distribution of Loans*

FSNB's assessment area is defined as its military deposit base; therefore, a geographical distribution analysis would not be meaningful.

## *Responses to Complaints*

No complaints concerning the Community Reinvestment Act have been received since the last examination of the bank on February 17, 1998.

## *Flexible and Innovative Services and Products*

FSNB has developed an extensive number of innovative products, services, and alternative delivery systems to meet the financial needs of the military community and enhance the availability of credit in locations throughout the world. As a result, these products and services had a positive affect on the bank's overall CRA rating. The following summarizes these programs:

## ***Services***

### **Welcome Center Office**

FSNB maintains a full-time office in the Fort Sill Welcome Center where incoming soldiers and families may open accounts, establish or transfer direct deposits and receive information concerning banking services.

### **Deposit Accounts for Initial Entry Soldiers**

The bank sends employees, on an as needed basis, to reception battalions with the required documents to open new accounts and establish direct deposits. All incoming personnel are offered a free interest bearing career checking account (no monthly or per item fees, no minimum balance requirement, no opening or closing fees), a free ATM card, Internet Banking, and eight free checks. During 2003, 46,152 new accounts were opened. Accounts can be opened with a zero balance in order to transact direct deposits.

### **On-site Out processing of Trainees**

Upon completion of basic training, FSNB provides several services to departing military personnel. Services include change of address cards, processing check reorders, and providing a packet of banking reference material. In addition, a general financial management briefing is offered, which addresses account management, ATM card usage, and how to avoid some common credit and banking problems.

### **Special Pay Day Services for Trainees**

In order to accommodate trainees, FSNB increases staffing on paydays at branches located near training centers. This allows soldiers easier and faster access to purchase money orders, travelers checks, and the ability to make account inquiries and cash personal checks.

### **“The Front Line” Internet Banking**

A convenient way to access accounts online. A basic package is always free and allows customers to view account activity, transfer funds, balance their checkbook, and track deposits. The service is free with bill pay the first three months. The extended packages provide check images and unlimited bill pay for a small monthly fee. FSNB offers Bank Mail, which is a secure e-mail environment that allows customers to communicate with bank staff. The bank also offers online loan applications.

### **Internet Website**

FSNB’s Internet website provides valuable information on available services the bank offers, as well as, branch and proprietary ATM locations.

### **Customer Call Center**

The center is staffed with live operators Monday thru Friday from 7:00 am to 7:00 pm, CST. On Saturdays, the center is open from 8:00 am to 1:00 pm, CST.

### **“PVT” Access**

Telephone response system that gives customers account information 24 hours a day, 7 days a week. This assists in accessing account balance and history information on checking, savings, CDs, IRAs, and loan accounts.

### **Automated Teller Machines (ATMs)**

FSNB provides 54 no-fee ATMs at various locations on or near military installations. FSNB’s ATMs also process credit card advances on American Express, Discover, VISA, and MasterCard.

### **Powers of Attorney**

FSNB processes Powers of Attorney, at no charge, for military personnel in order to assist in conducting banking transactions. To date, the bank has processed approximately 6,000 Powers of Attorneys.

## ***Products***

### **Graduation Loans**

During out-processing, FSNB offers graduating trainees a special Graduation Loan. The loan amount for a Basic Training graduate is \$250 and \$400 for an Advance Training graduate. Both loan products are unsecured and offered at the low rate of 5 percent. The only requirement for eligibility is proof of graduation. No application fee is required.

### **Relocation and Permanent Change of Station (PCS) Loans**

FSNB offers special loans for incoming and outgoing soldiers. A Relocation loan is offered on an unsecured basis at a rate of 5 percent to incoming soldiers to Ft. Sill. A PCS loan is offered at a 10 percent rate and unsecured to soldiers being relocated to other military installations where FSNB has a branch location. Loans can be up to \$1,000 and are repayable in twelve monthly installments. No application fee is required.

### **TeleLoans**

This service allows customers to call, toll free, from anywhere in the world to apply for a loan. This product was introduced in November 1997, and has since generated 7,205 loans totaling \$24 million.

### **Career Checking**

An interest bearing checking account tailored to meet the soldier’s needs. This account has no fees, no minimum balance, no “per item” fee, and a free ATM card. As of the date of this evaluation, the bank had 69,765 of these accounts, or 80 percent of the bank’s demand deposit accounts.

### **Overdraft Protection Program**

This program is available to all customers, however, is designed to assist soldiers with small average balances. Customers are allowed overdrafts up to \$200, and may increase depending on account history performance. Overdraft fees are \$14, which is significantly lower than the market rate.

**ATM and Check Cards**

FSNB does not charge annual fees for the ATM or Check Card. The bank is one of the few, if not the only institution that has the capability to provide instant issue of these cards. The ATM Card can only be used at an ATM machine. The Visa Check Card can be used anywhere displaying the Visa symbol, and has ATM access. No ATM fees are charged by the 44 ATMs on military installations.

***Fair Lending or Other Illegal Credit Practices Review***

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