



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**May 24, 2005**

# **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Security First National Bank of Hugo  
Charter Number 14578**

**100 South Broadway  
Hugo, OK 74743**

**Comptroller of the Currency  
Tulsa (eastern Oklahoma)  
7134 South Yale, Suite 910  
Tulsa, OK 74136**

**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.**

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The major factors that support this rating include:

- The bank's lending performance is satisfactory given its size, financial condition, and known credit needs in its assessment area.
- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- Management demonstrates a willingness to originate loans to low-and moderate-income individuals and small businesses.
- The bank generates a majority of its loans within the defined assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

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

## DESCRIPTION OF INSTITUTION

Security First National Bank (SFNB) is a rural community bank located in Hugo, Oklahoma. SFNB is 100% owned by Sooner Southwest Bankshares, Inc. The bank and a drive-thru facility are located downtown at 100 S. Broadway in Hugo. A branch with a drive-thru and an automated teller machine is under construction on the east side of Hugo and is expected to open by the end of the year. The bank's primary focus is to serve commercial and consumer customers in Choctaw County and the surrounding areas. The bank meets these needs by providing various loan and deposit products and services. The bank's lending strategy focuses on one-to-four family real estate loans, consumer loans, and small business loans to meet the needs of the community.

As of December 31, 2004, SFNB's total assets equaled \$84 million, of which \$65.5 million, or 78 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	15,795	24%
Commercial Loans	11,384	17%
Residential Real Estate Loans	19,131	30%
Farm Production Loans	2,669	4%
Farm Real Estate Loans	10,543	16%
Consumer Loans	5,523	8%
Other Loans	441	1%
<b>Total</b>	<b>65,486</b>	<b>100%</b>

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank received a "Satisfactory" rating at the prior CRA examination, dated September 8, 1998.

## DESCRIPTION OF CHOCTAW COUNTY

The assessment area adopted by SFNB consists of whole geographies, does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

The following demographic and economic characteristics for the assessment area are based on 2000 census data.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	4,329
Number of Households	6,236
<i>Geographies</i>	
Number of Census Tracts/BNA	5
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	60%
% Middle-Income Census Tracts/BNA	40%
% Upper-Income Census Tracts/BNA	0%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	28,025
2004 HUD-Adjusted MFI	41,300
<i>Economic Indicators</i>	
2000 Median Housing Value	44,045
# of Households Below Poverty Level	1,574

SFNB has defined their assessment area as Choctaw County in southeastern Oklahoma near the Oklahoma/Texas border. There are five contiguous census tracts in the county. Census tracts #9969, #9972, and #9973 are moderate-income tracts and #9970 and #9971 are middle-income tracts. The bank is located in census tract #9972.

The local economic conditions are stable, with limited growth over the past several years. The area economic base is primarily concentrated in retail trade and services. The majority of residents in the area work in Hugo, with a few who commute to jobs at plants in Valliant, Oklahoma and Paris, Texas. The major employers in the assessment area consist of Choctaw Nation (social services), Little Dixie (social services), Wal-Mart Supercenter and Choctaw Casino.

SFNB faces competition in Hugo from branches of other financial institutions in southern Oklahoma area.

A community contact was conducted during this review to help ascertain the credit needs of the assessment area. The immediate credit needs of the community are being fulfilled, according to the contact. The bank and all of the financial institutions are considered to be involved in the various community development activities and programs in the area. A need for middle and upper income housing was identified by the contact.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

This review concentrated on the bank's primary loan products. As of December 31, 2004, the bank's primary loan products are residential real estate, commercial and consumer loans. Therefore, we utilized 2003 and 2004 originations for these loan types to evaluate the lending performance component.

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

The bank's loan-to-deposit ratio is satisfactory given the institution's size, financial condition, and assessment area credit needs. This determination is based on the bank's quarterly average loan-to-deposit ratio since the last evaluation of 79.28 percent. The quarterly average of banks in the area is 67.96 percent.

### **Lending in Assessment Area**

SFNB's lending in their assessment area meets the standard for satisfactory performance. This conclusion is based on the analysis of the whole portfolio. Fifty-one percent of the dollar amount of the portfolio is extended to persons who reside in the assessment area and 70 percent of the number of loans is extended to individuals who reside in the assessment area.

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

SFNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

The following tables represent a reasonable distribution of lending based on the random sample of 20 residential real estate loans, 20 commercial loans and 20 consumer loans extended within the assessment area.

Table 2 - Borrower Distribution of Residential Real Estate Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Residential Real Estate	30.88%	10%	19.10%	25%	19.57%	20%	30.45%	45%

Source: Loan sample and U.S. Census data.

The number of real estate loans extended to low- and moderate-income families compares reasonably to the percentages of those families represented in the assessment area. The low number of low-income borrowers in which the bank has extended residential loans, can be attributed to the fact that lower income individuals have less resources to enable them to purchase residential real estate.

Table 2A - Borrower Distribution of Loans to Businesses				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	59.72%	3.76%	36.52%	100%
% of Bank Loans in AA by #	95%	5%	0%	100%
% of Bank Loans in AA by \$	61.32%	38.68%	0%	100%

Source: Loan sample and U.S. Census data.

A substantial majority of the commercial loans sampled were extended to small businesses with gross revenues of less than \$1 million per year.

Table 2B - Borrower Distribution of Consumer Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	33.05%	10%	17.25%	45%	17.12%	30%	32.58%	15%

Source: Loan sample and U.S. Census data.

The number of consumer loans extended to low-income households compares reasonably, while

the number of loans extended to moderate-income households compares very favorably to the percentages of those households represented in the assessment area.

### Geographic Distribution of Loans

The distribution of loans meets the standard for satisfactory performance. The number of loans extended in the various income tracts is representative of the percentage of the population that those tracts represent.

The following tables represent a reasonable distribution of lending based on the random sample of 20 residential real estate loans, 20 commercial loans and 20 consumer loans extended within the assessment area.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in Choctaw County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Residential Real Estate Loans	0%	0%	56.54%	30%	43.46%	70%	0%	0%

Source: Loan sample and U.S. Census data.

<b>Table 3A - Geographic Distribution of Loans to Businesses/Farms in Choctaw County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Business Loans	0%	0%	42.10%	40%	57.90%	60%	0%	0%

Source: Loan sample and U.S. Census data.

<b>Table 3B - Geographic Distribution of Consumer Loans in Choctaw County</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% 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	0%	0%	55.60%	30%	44.40%	70%		0%

Source: Loan sample and U.S. Census data.

The lower number of loans in the moderate-income tracts can be partially mitigated by the fact that the town of Hugo sits half in a middle-income census tract and half in a moderate-income census tract, with a middle-income tract surrounding the town of Hugo. Additionally, two of the

three moderate-income census tracts are the largest in the assessment area, the furthest from the bank and serviced by another financial institution.

### **Responses to Complaints**

SFNB has not received any complaints about its performance in helping to meet assessment area 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.