



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

March 6, 2008

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

#### **QUAIL CREEK BANK, N.A.**

**Charter Number: 16405**

**12201 North May Avenue  
Oklahoma City, Oklahoma 73120**

**Office of the Comptroller of the Currency**

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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.

**THIS INSTITUTION'S CRA RATING IS OUTSTANDING.**

**THE LENDING TEST IS RATED OUTSTANDING  
THE COMMUNITY DEVELOPMENT TEST IS RATED OUTSTANDING**

Quail Creek Bank, N.A. (QCB) has an excellent record of meeting community credit needs. This conclusion is based on the following:

- The bank's loan-to-deposit ratio is outstanding and averaged 100.80 percent during the evaluation period.
- A substantial majority of the bank's loans were originated within the bank's Assessment Area (AA).
- QCB's distribution of loans to businesses and individuals of different incomes, (including low-and-moderate) levels is excellent.
- The geographic distribution of loans reflects an excellent dispersion throughout the AA, particularly in low- and moderate-income geographies.
- QCB's community development performance demonstrates excellent responsiveness to the community development needs of its AA.
- There have been no complaints with respect to QCB's Community Reinvestment Act (CRA) performance.

## Scope of Examination

A Data Integrity review commenced on August 27, 2007 to evaluate the bank's system of internal controls for collecting, verifying, and reporting data reported on the Home Mortgage Disclosure Act Loan Application Register (HMDA LAR).

A sample of HMDA loans were reviewed originating in 2005, 2006, and 2007. The review determined data the bank is required to collect and report to regulatory agencies under the Community Reinvestment Act (CRA) and Home Mortgage Disclosure Act (HMDA) is materially accurate. Internal controls over the system to collect and report HMDA data are effective.

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on home mortgage and small business loans originated from 2005 through 2007. Conclusions regarding the Community Development Test are also based on community development activities from 2005 through 2007.

## Description of Institution

Quail Creek Bank, N.A. (QCB) is headquartered in Oklahoma City, Oklahoma. The bank is a wholly owned subsidiary of Quail Creek Bancshares, Incorporated, a one-bank holding company.

QCB's AA encompasses all of Oklahoma and Canadian counties located in Central Oklahoma. The bank's only location is at 12201 North May Avenue in northwest Oklahoma City, which is located in an upper income census tract. A drive-in facility is at this location. The bank also offers Internet and telephone banking, as well as remote deposit capture as alternative banking methods. QCB's primary focus is to provide financial services to commercial businesses and consumers in their AA, with a significant emphasis on small business lending. The bank meets these needs by providing a wide array of loans and deposit products and services. These include various commercial and consumer loans, including residential mortgage loan products, as well as bill pay, cash management, and financial planning services.

As of December 31, 2007, QCB's total assets equaled \$378 million, of which \$313 million, or 83 percent, were comprised of various types of loans to individuals and commercial businesses. The bank's loan portfolio segmentation is listed below.

<b>Loan Portfolio Composition</b>		
<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate	232,152	74%
Residential Real Estate	45,975	15%
Commercial and Industrial	24,665	8%
Individual Loans	9,782	3%
Agricultural Real Estate	239	<1%
Other	31	<1%
<b>Total</b>	<b>312,844</b>	<b>100%</b>

*Source: December 31, 2007 Report of Condition and Income*

There are no known legal, financial, or other factors impeding management's ability to help meet the credit needs of the designated AA. The last review of the bank's performance under the Community Reinvestment Act was completed June 9, 2003 and a "*Satisfactory*" rating was assigned.

## Description of Assessment Area

The AA adopted by QCB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. As of the examination, the bank's AA consisted of Oklahoma and Canadian counties. The composition of the AA meets the requirements of the CRA regulation and is comprised of 21 low-income census tracts, 85 moderate-income census tracts, 81 middle-income census tracts, and 60 upper-income census tracts.

Total population of the AA is 748,145. Of the 328,989 total housing units, 186,012, or 56 percent, are owner occupied. Households below the poverty level total 40,250, or 13 percent, and households that receive public assistance total 14,160, or 5 percent, of the total number of households.

<b>Demographic and Economic Characteristics of the AA</b>	
<b>Population</b>	
Number of Families	196,364
Number of Households	298,546
<b>Geographies</b>	
Number of Census Tracts/BNA	251
% Low-Income Census Tracts/BNA	8.37%
% Moderate-Income Census Tracts/BNA	33.86%
% Middle-Income Census Tracts/BNA	32.27%
% Upper-Income Census Tracts/BNA	23.90%
<b>Median Family Income (MFI)</b>	
2000 MFI for AA	\$44,898
2006 HUD-Adjusted MFI	\$53,900
<b>Economic Indicators</b>	
Unemployment Rate	2.44%
2000 Median Housing Value	\$78,122
% of Households Below Poverty Level	13.00%

*Source: 2000 Census data and 2006 HUD updated income data*

The economy in the Oklahoma City metropolitan area is stable. The recent increase in the energy sector, primarily oil and gas, has given significant support to the local economy. Although real estate markets in several areas of the United States have begun to suffer significantly, the Oklahoma City real estate market has noticed little impact to date. Manufacturing represents 17 percent of the business sector, followed by education services 13 percent, and retail 12 percent.

Local banking competition is aggressive and includes several community, regional and national banks and/or branches of these financial institutions.

A community contact was conducted during this review. This interview was conducted with a local housing organization. The contact indicated that area financial institutions are perceived as taking an active role in helping to address the housing and financial needs of community.

## Conclusions with Respect to Performance Tests

### LENDING TEST

The bank's performance under the Lending Test is rated "**Outstanding**"

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

QCB's loan-to-deposit ratio is excellent and exceeds the standard for satisfactory performance. The average quarterly loan-to-deposit ratio from June 30, 2003 through December 31, 2007 was 101 percent. This average was compared to the average of five similar banks with total assets between \$200 million and \$475 million, for the same time period in the AA. Please refer to the table below for details.

<b>Loan-To-Deposit Ratios</b>		
<b>Institution</b>	<b>Total Assets \$000's (As of 12/31/07)</b>	<b>Average Loan -to- Deposit Ratio</b>
<b><i>Quail Creek Bank, N.A. – Oklahoma City</i></b>	<b><i>377,886</i></b>	<b><i>100.80</i></b>
First Commercial Bank – Edmond	199,781	98.20
NBandC Bank - Oklahoma City	206,968	92.09
Kirkpatrick Bank – Edmond	473,847	90.63
Citizens Bank – Edmond	306,520	80.06
Yukon National Bank – Yukon	211,452	60.01
First National Bank – Midwest City	332,225	52.16

*Source: Institution Reports of Condition from June 2003 to September 2007*

QCB's loan-to-deposit ratio is favorable when compared to the average of the five comparable banks of 79 percent. The bank's loan-to-deposit ratio does not include the home mortgage loans originated by the affiliate mortgage company, Quail Creek Mortgage. These loans, if retained, would have contributed to an even higher ratio.

#### ***Lending in Assessment Area***

QCB's lending in its AA exceeds the standard for satisfactory performance. A substantial majority of the number and dollar amount of the home mortgage and small business loans were originated within the bank's AA. As depicted in the table below, 83 percent of the number and 77 percent of the dollar amount of loans were originated in QCB's AA.

<b>Lending in Quail Creek Bank's Assessment Area</b>										
Loan Type	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Mortgage	435	81.77	97	18.23	532	82,894	74.79	27,947	25.21	110,841
Small Business	32	91.43	3	8.57	35	14,428	94.78	794	4.22	15,222
<b>Totals</b>	<b>467</b>	<b>82.36</b>	<b>100</b>	<b>17.63</b>	<b>567</b>	<b>97,322</b>	<b>77.20</b>	<b>28,741</b>	<b>22.80</b>	<b>126,063</b>

Source: Data reported under CRA and HMDA sample of loans for 2005 through 2007.

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

QCB's borrower distribution of small business and home mortgage loans is excellent and exceeds the standard for satisfactory performance. For this analysis, the bank's small business lending is given additional emphasis as it is the primary focus of the bank's business plan.

QCB's borrower distribution of small business loans is excellent. Loans to businesses with revenues of \$1 million or less represented 72 percent of sampled business loans, which exceeds the 62 percent of area businesses that reported revenues of less than \$1 million. The comparative information noted that 32 percent of the AA businesses did not report revenue data.

QCB's distribution of home mortgage loans to low- and moderate-income families is satisfactory. The percentage of the number of loans made to low- and moderate-income families is near to or exceeds the percentage of low- and moderate-income families in the AA. Although data indicates a lower level of lending to low-income individuals and families, a significant level of lending to low-income families is difficult to achieve as low-income families have a difficult time qualifying for conventional home mortgage products. In QCB's AA, a low-income person earns less than \$27 thousand annually, while the average median housing cost is \$78 thousand. Additionally, 13 percent of the population in the bank's AA are below the poverty level or are on public assistance. Furthermore, the bank's location in an upper income census tract and in an affluent area of northwest Oklahoma City geographically impedes its ability to lend to low- and moderate-income individuals and families.

The bank's percentage of home purchase and refinance loans originated is satisfactory as it is near to the percentage of moderate-income families in the AA. The bank's distribution of home improvement loans to moderate-income families is excellent as the percentage of the number of these loans originated exceeds the percentage of moderate-income families in the AA.

<b>2005 – 2007 Borrower Distribution of Loans to Businesses in Quail Creek Bank's Assessment Area</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable	Total
% of AA Businesses*	62%	6%	32%	100%
% of Bank Loans in AA by #	72%	28%	--	100%
% of Bank Loans in AA by \$	71%	29%	--	100%

Source: Loan sample (Data reported under 2005- 2007 CRA) \*Dunn and Bradstreet data. 32% of AA businesses did not report revenue data.



<b>2005 – 2007 Borrower Distribution of Residential Real Estate Loans In Quail Creek Bank’s Assessment Area</b>								
<b>Borrower Income Level</b>	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
<b>Loan Type</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families</b>	<b>% of Number of Loans</b>	<b>% of AA Families Number</b>	<b>% of Number of Loans</b>
Home Purchase	21.19	7.35	18.22	11.76	21.13	10.29	39.47	70.59
Home Improvement	21.19	6.98	18.22	23.26	21.13	6.98	39.47	62.79
Home Refinance	21.19	7.69	18.22	8.17	21.13	15.38	39.47	68.75

Source: Loan sample (Data reported under 2005 and 2006 HMDA); 2000 U.S. Census data.

### **Geographic Distribution of Loans**

QCB’s borrower distribution of loans is outstanding and exceeds the standard for satisfactory performance.

The geographic distribution of small business loans is excellent. The bank’s distribution of small business loans by number to both low- and moderate-income census tracts exceeds the percentage of small businesses located in those tracts.

The geographic distribution of home mortgage loans is satisfactory. QCB’s opportunity to provide home mortgage products to individuals and families living in low-income census tracts is extremely limited as only 2.5 percent of housing units in those tracts in the bank’s AA are owner occupied. Therefore, QCB’s distribution of home mortgage, home improvement and home refinance loans to low-income census tracts meets the standard for satisfactory performance. The distribution of these loans to moderate-income census tracts for home purchase and refinance is near to the percentage of owner occupied housing and exceeds the distribution for home improvement loans extended in those tracts.

<b>2005 – 2007 Geographic Distribution of Loans to Businesses In Quail Creek Bank’s Assessment Area</b>								
<b>Census Tract Income Level</b>	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
<b>LOAN TYPE</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>	<b>% of AA Businesses</b>	<b>% of Number of Loans</b>
Small Business	1.23%	8.82%	30.26%	44.12%	53.77%	41.18%	14.74%	5.88%

Source: Loan sample (Data reported under 2005-2007 CRA); Dunn and Bradstreet data.

<b>2005 – 2007 Geographic Distribution of Residential Real Estate Loans In Quail Creek Bank's Assessment Area</b>								
<b>Census Tract Income Level</b>	<b>LOW</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
<b>LOAN TYPE</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number of Loans</b>
Home Purchase	2.53	1.12	25.33	21.35	36.37	31.46	35.77	46.07
Home Improvement	2.53	0.00	25.33	35.00	36.37	26.67	35.77	38.33
Home Refinance	2.53	1.18	25.33	21.26	36.37	31.89	35.77	45.67

Source: Loan sample (Data reported under 2005-2007 HMDA); 2000 U.S. Census data.

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

There have been no consumer complaints relating to the bank's Community Reinvestment Act performance during the evaluation period.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated "**Outstanding**".

Opportunities for qualified community development loans and investments are substantial in the bank's AA. A majority of the AA is comprised of metropolitan, high-density areas, including Oklahoma City, Edmond, and Yukon.

QCB is very active in the communities they serve. This is evidenced by their leadership roles on various civic and non-profit organizations that provide services to low- and moderate-income individuals. The bank's commitment to economic development is evidenced by investments and loans to organizations which foster economic development activities and provide assistance to low- and moderate-income individuals and families.

### ***Community Development Loans***

The level of community development loans is considered outstanding. Qualifying community development loans are those that meet the definition of community development, as defined in the CRA regulation.

The bank has originated 17 loans totaling \$21 million for affordable housing, as defined by the regulation. The primary purpose of these loans was to purchase and/or rehabilitate multi-family apartment complexes, some of which incorporate Section 8 housing. Substantial weight is given to these types of loans as there is a critical need for affordable housing in the AA. The rent charged for these properties are at or below the weighted average monthly gross rent for housing in the AA.

QCB originated a \$2.4 million loan to purchase and renovate a nursing home. A substantial majority of the patients at this facility receive Medicaid assistance. Additionally, a majority of the health care employees at the nursing home receive salaries in the low- to moderate-income range. Affordable housing and healthcare is a significant need in the community.

The bank has originated 2 loans totaling \$4.8 million for the purchase and rehabilitation of properties located in an empowerment zone as defined by the regulation. As a result, a number of jobs for low- and moderate-income individuals were created.

Other loans not meeting the size test include the origination of 9 loans totaling \$3.2 million, which have been extended to small businesses located in an empowerment zone. Many of these businesses also provide jobs to low- and moderate-income persons.

## ***Community Development Investments***

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation. QCB's level of community development investments is outstanding.

Investments support community services that target low-and moderate-income families and individuals and economic and small business development. A specific example of the bank's most significant investment to a qualifying community development organization is its \$5 million investment in MetaMarkets OK, LLC (MetaMarkets). MetaMarkets facilitates economic and community development in distressed areas and communities. This includes providing loans, investments, or financial counseling in low-income communities or low income persons. Additionally, the bank has ongoing investments totaling approximately \$350 thousand in the MetaFund and Central Oklahoma Clearing House Association (COCHA), for low and moderate-income residential loan programs.

Additionally, the bank has extended 70 qualified donations totaling \$59 thousand in their AA. Donations have been made to local non profit organizations that provide social services, youth programs, homeless shelters, alcohol and drug recovery centers, and health care facilities that target low- and moderate-income individuals.

## ***Community Development Services***

The level of qualified community development services is satisfactory. Bank officers have served in leadership positions in organizations which provide community services to low- and moderate-income families and provided technical expertise and financial assistance to these organizations. Bank officers also serve in leadership positions in organizations involved in economic and small business development activities. The following are examples of qualifying community development services.

- ***The 5c's of Credit***  
A bank officer taught this class, which assists participants in understanding credit. The class was sponsored by the Community Action Agency and taught at a local Vo-Tech school.
- ***Santa's Cause***  
A bank officer is the founder and director of Santa's Cause. It is an organization which provides clothing, shoes, toys, and other needs for children from low-and moderate-income families.
- ***Habitat For Humanity***  
A bank officer serves as a director for Habitat for Humanity (Habitat). Habitat is a housing ministry working to build simple, decent, affordable housing, and to provide hope for responsible, hard-working, limited income families living in substandard conditions.

- ***A Chance to Change***  
A bank officer serves as an advisory director for A Chance to Change. This organization assists with substance abuse, problem gambling, sex addiction, and other behavioral addictions. Many of their clients are low-and moderate income individuals or are from low-and moderate-income families.
  
- ***Regional Food Bank***  
A bank officer served on the Steering Committee of the Regional Food Bank. This organization's mission is to help the charitable community effectively feed people in need.
  
- ***Exchange Club***  
A bank officer served as the District Secretary of the club. This organization's focus is to make the community a better place to live through various programs, with a special emphasis on the prevention of child abuse.

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

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.