

PUBLIC DISCLOSURE

May 17, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Okemah National Bank
Charter Number: 7677**

**302 West Broadway
Okemah, Oklahoma 74859**

**Office of the 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 **The Okemah National Bank, Okemah, Oklahoma**, prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **May 17, 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 Okemah National Bank will be referred to as “ONB”.

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

- < The bank's loan-to-deposit ratio (LTD) is satisfactory. ONB's LTD averaged 53.31% since the December 4, 1995 performance evaluation. The peer average for similar banks operating in the bank's assessment area was 65.06% for the same period. As of December 31, 1998, the bank's LTD was 48.43%.
- < Of the loans we reviewed, 100% was generated within the defined assessment area.
- < Management demonstrates a willingness to originate loans to low- and moderate-income individuals (LMI) and small businesses.
- < The geographic distribution of loans reflects an excellent dispersion throughout the assessment area.

The following pages further describe the bank's CRA performance.

The following table indicates the performance level of **The Okemah National Bank** with respect to each of the five performance criteria.

Small Institution Assessment Criteria	The Okemah National Bank 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

The Okemah National Bank (ONB) is a \$52 million rural community bank located in Okemah which is 70 miles southwest of Tulsa, Oklahoma and 71 miles east of Oklahoma City, Oklahoma. Okemah has a population of 3,458 and is the county seat of Okfuskee County. ONB was chartered in 1905 and is 100% owned by O.K. Bancorporation (OKB), a one-bank holding company. The bank has no other affiliate relationships. Subject bank is the larger of two financial institutions operating in Okemah, Oklahoma. A CRA performance evaluation was last prepared December 4, 1995 and a *Satisfactory* rating was assigned.

The bank operates exclusively from its main office location in Okemah, which includes a four lane drive-thru facility. Hours of operation are responsive to the general banking needs of the communities served. Regular banking hours (lobby) are Monday - Thursday from 9:00am to 3:00pm. The bank has extended hours on Friday from 8:30am to 6:00pm. Drive-thru facility hours are Monday - Thursday from 8:30am to 3:00pm (Friday from 8:30am to 6:00pm). The drive-thru facility is also open on Saturday morning from 8:30am to 12:00pm. The bank offers a variety of loan products. There are no legal, financial, or other barriers impeding the bank's ability to meet the credit needs of its assessment area.

The bank's lending strategy focuses on one-to-four family residential real estate and consumer loans. As of December 31, 1998, the loan portfolio distribution was as follows:

December 31, 1998 Loan Portfolio Distribution		
Loan Type	Amount (\$000)	Percent of Total
REAL ESTATE:		
Construction Land Development	0	0%
Farmland	2,045	9%
1-4 Family	8,329	38%
Multifamily	0	0%
Commercial	2,740	13%
SUBTOTAL REAL ESTATE	13,114	60%
AGRICULTURE:	1,860	8%
COMMERCIAL:	1,295	6%
CONSUMER:	4,918	22%
OTHER:	806	4%
TOTAL	21,993	100%

Source: December 31, 1998 Consolidated Reports of Condition and Income

DESCRIPTION OF ONB's ASSESSMENT AREA

ONB's assessment area meets the technical requirements of the regulation and does not arbitrarily exclude (LMI) geographies. The Board of Directors has defined the institution's assessment area as Okfuskee County. According to the 1990 United States Census, Okfuskee County has a population of 11,551. Okfuskee County is composed of three moderate-income and two middle-income Block Numbering Areas (BNA). The 1998 Housing and Urban Development (HUD) Metropolitan Statistical Area (MSA)/Non-MSA's updated median family income was \$31,100. The following table illustrates the percentage of families by income levels:

Family Income Level	Count	Percentage
Low Income	1,006	33%
Moderate Income	503	17%
Middle Income	636	21%
Upper Income	873	29%
Total	3,018	100%

Source: 1990 Census Data, U.S. Bureau of the Census

Two other commercial banks operate in the assessment area. One of these banks is located in Okemah. The overall economy of the assessment area is stable. Two new gas stations equipped with restaurant facilities opened in 1996 and provided approximately 75 new jobs. These new businesses have also increased local sales tax revenue. The city depends heavily on state and federal funding. The most recent employment data listed Okemah's unemployment rate at 6.87%. Major employers and their estimated number of employees are as follows: Okemah Construction (250), Wrangler Jeans (200), John Lilly Correctional Institute (125), and the local independent school district (150).

According to 1990 Census data, the median housing value was \$25,702 and the percentage of owner-occupied housing units was 65.06%. The number and percentage of households living below the poverty level were 1,203 or 29.22%, respectively.

Community Contact

To better understand the general credit needs of citizens residing within the assessment area, we visited with an officer of the Okemah Chamber of Commerce. Based on information from this contact, the primary credit need in the community is affordable residential housing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit (LTD) Ratio

The LTD ratio is satisfactory given the bank's size, financial condition, and identified credit needs of the assessment area. The bank's LTD ratio averaged 53.31% for the 13 quarters since the December 4, 1995 performance evaluation. The peer group LTD was 65.06% for the same period of time. The customized peer group consists of three commercial banks operating within the assessment area. One of these banks is headquartered in Okemah and has a higher LTD ratio than ONB. According to ONB's management team, the local competitor has a higher LTD due to aggressive lending practices. This competing bank has hired two new loan officers who are targeting younger constituents for loan products. ONB also attributes its lower than peer LTD ratio to the deposit base which consists of older non-borrowing individuals. Many of these individuals are long-term customers who do not have a need for real estate related products. Real estate is the primary loan product offered by the subject bank. Many of the bank's customers are strictly certificates of deposit and/or money market deposit customers who choose to bank at ONB due to its strong capital position. Other factors hindering lending opportunities for ONB include a local competitor's branch office which is located in another town within the assessment area and several residents within the assessment area are social security recipients, retired, or living below the poverty level.

Lending in the Assessment Area

Based on a sample of loans reviewed, we determined that a substantial majority of the bank's lending occurs within its assessment area. To make this determination, we reviewed one-to-four family residential real estate, consumer, and small business loans made since January 1, 1999. Our sample included 24 real estate, 23 consumer, and 14 small business/small farm loans. The banking office is located in one of the three moderate-income BNA's. A significant majority of the bank's loans are made in this area. As captioned below, 100% of the loans in our sample were originated in locations within the assessment area.

Lending Practices Within the Assessment Area				
Loan Type	# inside	% inside	\$ inside	% inside
Real Estate	24	100%	957M	100%
Consumer	23	100%	124M	100%
Small Business/Farms	14	100%	1,035M	100%
Aggregate	61	100%	2,116M	100%

Source: OCC Loan Sample

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

Recent lending patterns indicate a reasonable distribution of loans among borrowers of different income levels and businesses of different sizes. The real estate loan sample reflected a low penetration of real estate lending to LMI families when compared to the percentage of LMI families living within the assessment area. Only 4% of real estate loans in the sample were to low-income households, while low-income families represent 33% of the population. Just 8% of the real estate loans sampled were to moderate-income families, while moderate-income families comprise 17% of the population. Bank management attributes these low percentages to the number of households on social security (39%) and their very limited need for real estate loan products. Furthermore, 29% of the households are below the poverty level, 16% of the households are retired, 20% of the housing stock is rental property, and 15% of the housing stock is vacant.

Subsidized housing programs have been established in the assessment area through the Creek Nation Indian Tribe and private individuals. Bank management is considering a specialized real estate loan product tailored for LMI families to improve their real estate lending to these individuals. Below market interest rates and/or higher loan-to-values are being considered. Currently, the bank only charges a \$25 origination fee on real estate loans regardless of loan size.

The following table depicts lending patterns to borrowers of different income levels:

Percentage Distribution of Loans Reviewed Within the bank's Assessment Area by Income Level of the Borrower				
Area Median Family Income				\$31,100
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)	4	44	23	33
Moderate (50 to 80% of median income)	8	17	13	17
Middle (80 to 120% of median income)	34	30	32	21
Upper (Greater than 120% of median income)	54	9	32	29
Total	100	100	100	100

Source: OCC Loan Sample & 1990 Census Data, U.S. Bureau of the Census

ONB has a good dispersion of loans to small businesses and farms with varying revenues. Small businesses, as defined by CRA, are businesses having gross annual revenues of \$1 million or less. Only one of the fourteen loans in the small business/farm sample was to a business with a gross annual revenue in excess of \$1 million. The average loan size of the small business/farm loans in our sample was \$73M and 79% or 11 of the 14 loans were in amounts less than \$50M. Bank management indicated that non-conforming loans are referred to the Small Business Administration for assistance. The following table illustrates the gross annual revenue size of each small business loan in our sample.

Small Business Loans in Assessment Area		
Business Revenue	Small Business Loans	
	Number	Percent
< = \$100,000	9	65%
\$100,001 to \$250,000	2	14%
\$250,001 to \$500,000	0	0%
\$500,001 to \$750,000	2	14%
\$750,001 to \$1,000,000	0	0%
Over \$1,000,000	1	7%
Total:	14	100%

Source: OCC Loan Sample

Geographic Distribution of Loans

An analysis of the distribution of loans by income level of each BNA revealed excellent dispersion. Three of the five BNA's are moderate-income and two are middle-income. There are no low-income BNA's in the assessment area. The banking facility is located in the moderate-income areas. A substantial majority of the bank's lending is in the BNA where the banking office is located. This has contributed to the excellent penetration. The following table depicts the income geography of real estate, consumer, and small business/farm loans in our sample compared to the percentage of population living in each income geography of the assessment area.

Distribution of Loans Reviewed Within the Bank's Assessment Area By Income Level of the Geography				
Area Median Family Income				\$31,100
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)	92%	91%	100%	60%
Middle (80 to 120% of median income)	8%	9%	0%	40%

Source: 1990 Census Data and Loan Sample

Response to Complaints

ONB 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 the ECOA.