



**SMALL BANK**

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

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## **PUBLIC DISCLOSURE**

**February 27, 2004**

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

**Stroud National Bank  
Charter Number 12095**

**300 West Main Street, Post Office Box 450  
Stroud, OK 74079**

**Office of the Comptroller of the Currency  
Eastern Oklahoma Field Office  
7134 South Yale Executive Ctr. Bldg., 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.**

## 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 (LMI) 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 **Stroud National Bank, Stroud, Oklahoma** prepared by **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of February 27, 2004. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Stroud National Bank (SNB) is responsive to the credit needs of its community including low- and moderate-income individuals and families. The following factors support this conclusion:

- The bank's loan-to-deposit ratio is good considering the number of financial institutions operating within the bank's assessment area.
- A substantial majority of the loans in our sample were originated within the bank's assessment area.
- Credit activity is reasonably distributed to borrowers of different income levels and businesses of different sizes.

## DESCRIPTION OF INSTITUTION

Stroud National Bank (SNB) is headquartered in Stroud, Oklahoma. The bank's street address is 300 West Main. The main bank includes a drive-up facility. A full service branch with drive-in facilities is located at 215 Second Street, Wellston, Oklahoma. The branch in Wellston was acquired in 1991. Proprietary Automated Teller Machine (ATM) services are available in Stroud at the main bank/drive-up, the Stroud IGA in Plaza 66 Shopping Center, and in Wellston at Bev's Convenience Store at the east "Y" of the intersection of US 66 and US 66-B. SNB's primary lending focus is to serve commercial, agricultural, and consumer customers in these communities and the surrounding areas in Lincoln County. SNB meets these needs by providing various loan, deposit, and other financial products.

SNB's total assets were \$40,333MM as of December 31, 2003. Total loans and leases were \$23,503M, or 58.27% of total assets. As captioned below, the loan portfolio is segmented in the following categories:

<b>Loan Category</b>	<b>\$(000)</b>	<b>%</b>
Commercial Real Estate Loans	5,980	25.44%
Commercial Loans	3,359	14.29%
Residential Real Estate Loans	9,914	42.18%
Consumer Loans	2,902	12.35%
Agricultural Loans	1,046	4.46%
Other	302	1.28%
<b>Total</b>	<b>23,503</b>	<b>100.00%</b>

Source: December 31, 2003, Consolidated Reports of Condition

There are no known factors that impede SNB's ability to meet the credit needs of the constituents in the assessment area.

## COMMUNITY CONTACT

To better understand the general credit needs of citizens residing within the assessment area, we contacted a realtor who also serves as President of the Stroud Chamber of Commerce. Based on this interview, we identified a need for affordable housing to low- and moderate-income individuals and families.

## DESCRIPTION OF THE ASSESSMENT AREA

The assessment area, adopted by SNB’s Board of directors, meets the technical requirements of the regulation, and does not arbitrarily exclude any low- or moderate-income geographies. The assessment area is described as follows:

**Stroud National Bank Assessment Area**

The assessment area comprises the entire Lincoln County in central Oklahoma. Lincoln County contains seven Census Tracts, all of which are identified as middle-income tracts, according to the 2000 census data by the United States Census Bureau. The tract numbers are 9811.00 through 9817.00. SNB’s main office is located in Tract # 9811.00 and the Wellston branch is located in Tract # 9813.00.

The 2000 United States Census Bureau information reflected a total population in Lincoln County at 32,080. The area contained 13,712 housing units with 9,749, or 71%, owner-occupied units. Additionally, there were 9,181 families and 12,196 households in the area. Seventy-two percent of the households derive their income from wages or salaries. The largest employment sectors were services, retail trade, construction and transportation/communication.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	9,181
Number of Households	12,196
<i>Geographies</i>	
Number of Census Tracts/BNA	7
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	0
% Middle-Income Census Tracts/BNA	100%
% Upper-Income Census Tracts/BNA	0
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	36,291
2003 HUD-Adjusted MFI	39,400
<i>Economic Indicators</i>	
Unemployment Rate	2%
2000 Median Housing Value	55,947
% of Households Below Poverty Level	14%

Other financial institutions headquartered in the bank’s assessment area (Lincoln County) are First Bank of Chandler, Union Bank of Chandler and Carney State Bank. The assessment area is also served by branches of the following institutions in the mentioned locations: Banc First and Spirit Bank in Stroud, Local Oklahoma in Chandler, and First National Bank of Ada with branches in Prague and Meeker. Finally, the assessment area is served by a branch of Banc First in Davenport, as well as a credit union headquartered in Davenport.

**CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

## Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable given the institution's size, financial condition, and the credit needs of the assessment area. The bank's average loan-to-deposit ratio between September 30, 1998 and December 31, 2003 was 58.16%. The peer group, comprised of all banks in Lincoln County's had an average loan-to-deposit ratio of 63.03%, for the same time period. The bank's loan-to-deposit ratio on December 31, 2003 was 69%.

## Lending in Assessment Area

A substantial majority of SNB's loans were originated within the assessment area. Our loan sample was comprised of residential real estate and small business and farm loans. Based on 2003 originations, approximately 85% of the number of loans and 84% of the dollar amount of loans reviewed were originated within the bank's assessment area. The following table illustrates the geographic location of each product type by the number of and dollar amount.

TOTAL LOANS REVIEWED (Evaluation Period 1/01/03 to 12/31/03)								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Small Business and Small Farm Loans	244	85.02	4,812	83.77	43	14.98	932	16.23
Real Estate Loans	110	84.62	4,787	84.72	20	15.38	863	15.28
<b>Totals (1)</b>	<b>354</b>	<b>84.89</b>	<b>9,599</b>	<b>84.25</b>	<b>63</b>	<b>15.11</b>	<b>1,795</b>	<b>15.75</b>

(1) Based on information provided by the financial institution

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

RESIDENTIAL REAL ESTATE (Evaluation Period 1/01/02 to 7/31/03)				
Borrower Income Level	LOW	MODERATE	MIDDLE	UPPER
% of AA Families <sup>1</sup>	17.45	18.63	23.12	40.80
Residential Real Estate Loan Sampled	% of Number	% of Number	% of Number	% of Number
	13.89	16.67	19.44	50.00

1- Based on 2000 U.S. Census Data

SNB has a reasonable distribution of residential real estate loans to borrowers of different income levels. As of December 31, 2003, residential real estate first and second mortgages

represented 42% of the bank's loan portfolio. Our loan sample, comprised of residential mortgages originated in 2003, revealed that 14% were to low-income families and 17% to moderate-income families. Low- and moderate-income families in the bank's assessment area are 17% and 19%, respectively.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES & FARMS		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses and Farms (1)	92.59	7.41
% of Bank Loans in AA #	92.31	7.69
% of Bank Loans in AA \$	88.50	11.50

(1) - Based on 2000 U.S. Census Data

SNB's lending pattern to individuals with small businesses or farms is directly proportional to the income levels of the small business and farm owners operating the assessment area. As captioned above, 93% of the small businesses or small farms have revenues of less than \$1,000M. Our loan sample revealed that 92% of the small business and small farm loans were to entities with revenue of less than \$1,000M.

Further evidence of SNB's support of the small businesses in Lincoln County is the bank's participation in the Small Business Administration's (SBA) lending program. Currently there are six SBA loans on the bank's books that were originated, since the previous performance evaluation. Four of these loans totaling \$864M were originated to customers within the bank's assessment area.

SNB also participates in the Oklahoma Capital Access Program (OCAP). This program allows the bank to establish a reserve account for marginal customers that is matched with funds by the Oklahoma Department of Commerce. This program affords financial institutions an opportunity to lend to less credit worthy customers, without taking on additional risk because of the protection afforded by the reserves. Currently there are 9 customers participating in this program that operate within the bank's assessment area with loans totaling \$463M.

### **Geographic Distribution of Loans**

The bank's assessment area is comprised of seven middle-income census tracts. An analysis of the geographic distribution of loans would not be meaningful without some diversity in the income levels of the tracts.

### **Qualified Investments and CD Services (Optional)**

Management did not request that we review investments and services.

### **Responses to Complaints**

No complaints concerning the Community Reinvestment Act have been received since the previous examination of SNB in July of 1998.

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

A fair lending review was performed as of July 27, 1998 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.