



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

June 1, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Altus
Charter Number 12155**

**110 E. Broadway
Altus, Oklahoma 73521**

**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 **First National Bank in Altus, Altus, Oklahoma** as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of **June 1, 1999**. 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**. Consistent with its resources and capabilities, the bank is meeting the credit needs of its assessment area, including those of low- and moderate-income individuals, in a reasonable manner. This is demonstrated by the following:

- C First National Bank in Altus= willingness to provide a wide variety of loan and deposit products.
- C A substantial majority of the loans extended are within the assessment area.
- C First National Bank in Altus has demonstrated an exceptional willingness to extend loans to individuals of different income levels, as well as, businesses and farms of different sizes.
- C Distribution of First National Bank in Altus= loans reflects a reasonable dispersion in the communities it serves.

The following table indicates the performance level of First National Bank in Altus with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | <u>FIRST NATIONAL BANK IN ALTUS</u> 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 examination | | |

DESCRIPTION OF INSTITUTION

First National Bank in Altus (FNB) is headquartered in Altus, Oklahoma. It is 99 percent owned by First Altus Bancorp, Incorporated, a one-bank holding company. The main bank is located at 110 E. Broadway in Altus, Oklahoma. Full service branches with drive-in facilities are located at 1606 N. Main in Altus, 229 S. Broadway in Hobart, Highway 183 and Oak Street in Mountain Park, and 113 N. Main in Frederick. An additional full service branch is located at 100 S. Broadway in Tipton. A branch in Roosevelt, Oklahoma was closed June 18, 1998 due to the reduced activity in the town when the school system closed. Automated Teller Machine (ATM) services are available at the main bank, the Altus branch, the Hobart branch, the Frederick branch, and at the United Supermarket Store at 1520 N. Main in Altus. Three additional ATMs have been installed since the last review. One at the United Supermarket Store located at 600 E. Broadway in Altus, one at the Hop & Sack Convenience Store at 200 Baseline Road in Tipton and the third at the Alco Discount Store at 1600 N. Main in Frederick. The bank's primary focus is to serve commercial, agricultural, and consumer customers in the above communities and the surrounding areas in southwestern Oklahoma. The bank meets these needs by providing various loan and deposit products, a retail nondeposit investment center, as well as other financial services.

As of March 31, 1999, FNB's total assets equaled \$155,547,000, of which \$51,912,000 or 33.37 percent, were composed of various types of loans to individuals and businesses. The \$51,912,000 in loans and leases outstanding consisted of \$14,413,000 in commercial and agricultural real estate loans (27.77 percent), \$5,991,000 in 1-4 family real estate loans (11.54 percent), \$13,440,000 in commercial loans, (25.89 percent), \$14,657,000 in agricultural loans (28.23 percent), and \$3,411,000 in consumer loans (6.57 percent).

There are no known legal, financial, or other factors impeding management's ability to help meet the credit needs of the assessment area. The bank participates in meeting the local needs by providing "How to do your Banking" brochures to several area schools, doing presentations on banking at the schools, and conducting tours at the bank. The bank participated in a credit seminar at a local community group for their counselors who assist low- and moderate-income customers. Seminars have been held for employees of local companies and senior citizens on various banking topics. A community contact with a local nonprofit agency that provides services to low income individuals was made during this review. The contact confirmed that the bank participates in meeting the credit needs of the community. The major credit needs in the assessment area are small dollar consumer loans and home improvement loans. FNB's performance under the Community Reinvestment Act was previously evaluated as of February 29, 1996 and was rated satisfactory.

DESCRIPTION OF THE ASSESSMENT AREA

The assessment area adopted by the bank's board of directors meets the requirements of the regulation. It does not arbitrarily exclude any low- or moderate-income geographies. The assessment area is described in more detail below.

First National Bank in Altus Assessment Area

The assessment area encompasses nineteen contiguous block numbering areas (BNA's) in Jackson, Kiowa and Tillman counties. Specifically, there are eight BNA's in Jackson County (#9681, #9682, #9683, #9684, #9685, #9686, #9687, #9688), five BNA's in Kiowa County (#9636, #9637, #9638, #9639, #9640), and six BNA's in Tillman County (#9701, #9702, #9703, #9704, #9705, #9706). FNB's main bank is located in block numbering area #9687 (Altus), and the branches are located in #9684 (Altus), #9637 (Hobart), #9640 (Mountain Park), #9704 (Frederick), and #9702 (Tipton).

Based on the 1990 census data, seven of the nineteen BNA's were identified as moderate income. These were #9686 and #9687 in central Jackson County, #9638, #9639, and #9640 in southwestern Kiowa County, and #9704 and #9706 in southern Tillman County. Two BNA's in central Jackson County, #9684 and #9685, were identified as upper income. The remaining ten block numbering areas are identified as middle income. No low income block numbering areas have been identified within the assessment area.

United States Census Bureau information as of 1990 reflected a total population of 50,495 in the three county area. The area contained 22,474 housing units with 12,680 or 56 percent owner occupied. Additionally, there were 14,000 families and 18,948 households in the area. Seventy percent of the households derive their income from wages or salaries. The largest employment sectors were government, wholesale trade, service and farm related entities. The unemployment level for the area was 1,826 persons or 3.62 percent of the population. Per the 1990 census, the households and families were divided among the income categories as follow:

| Description | % Low Income (<50% of Median)* | % Moderate Income (50-80% of Median)* | % Middle Income (80-120% of Median)* | % Upper Income (>120% of Median)* |
|-------------------------------|--------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|
| Number of Households (18,948) | 24.59% | 15.48% | 18.40% | 41.53% |
| Number of Families (14,000) | 21.98% | 18.59% | 21.88% | 37.55% |

* 1990 census median household income for the assessment area was \$20,178. Median family income for the assessment area was \$23,716. 1998 updated median family income for non-MSA locations in the State of Oklahoma was \$31,100.

The assessment area is served by eight other chartered banks with headquarters in Jackson, Tillman, and Kiowa County. The area is also served by branch locations of these banks, other banks headquartered outside the three county area, credit unions, and several finance companies.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Overall, the bank is **Satisfactory in meeting the credit needs** of the entire assessment area, consistent with available resources and capabilities.

Loan to Deposit Ratio

The loan to deposit ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The average quarterly loan to deposit ratio from March 31, 1996 through March 31, 1999, was 35.36 percent, which excludes loans sold. The ratio as of March 31, 1999 was 38.35 percent. The low ratio for the period was 30.69 percent at March 31, 1996. The high ratio for the period was 38.60 percent at September 30, 1998. The trend of the quarterly loan to deposit ratio since the February 1996 review has been increasing. The average loan to deposit ratio last examination was 29 percent.

FNB's ratio is low compared to the average loan to deposit ratio for the thirty-five banks operating in the bank's assessment area (Jackson, Tillman, and Kiowa Counties) and the seven contiguous counties in Oklahoma. The average ratio for this group of banks was 59.42 percent at December 31, 1998. The low ratio in this group was 28.75 percent and the high ratio was 104.05 percent.

FNB's ratio is also low compared to the average loan to deposit ratio for the nine banks headquartered in the assessment area. The average for this group of banks was 56.68 percent at December 31, 1998. The low ratio in this group was 36.71 percent and the high ratio was 104.05 percent at December 31, 1998.

FNB generates additional loans that are sold and not reflected in the loan to deposit ratio. Since the last evaluation in February 1996 and through May 1999, the bank has originated and sold a large volume of agricultural program loans for a total of \$38,856,300. For the period of February 1996 through April 1999, the bank has originated and sold mortgage loans totaling \$17,389,858. Four Small Business Administration loans have been generated and sold totaling \$631,000. The addition of these types of loans would significantly improve the bank's loan to deposit ratio.

Additional factors affecting the loan to deposit ratio include the lack of loan demand in the very small communities in the assessment area, the strong competition among financial institutions in some of the towns with branches, and the declining income of farmers. FNB also generates a large volume of low dollar loans (under \$5,000). At April 30, 1999, there were four hundred and thirty-nine loans with an

average origination size of \$2,340.

Lending in Assessment Area

A substantial majority of credit extended is within the assessment area. Analysis of a sample of thirty-five consumer loans and twenty business and agricultural loans extended during 1998 and year-to-date 1999, noted the following results:

| Loan Sample | % of Loans Inside Area | % of Loans Outside Area | % of Loan Dollars Inside Area | % of Loan Dollars Outside Area |
|--|------------------------|-------------------------|-------------------------------|--------------------------------|
| Consumer (35 loans for \$188,926) | 88.57% | 11.43% | 81.80% | 18.20% |
| Business & Agricultural (20 loans for \$10,156,150) | 100% | 0% | 100% | 0% |
| Combined Totals (55 loans for \$10,345,076) | 92.73% | 7.27% | 99.67% | .33% |

The sample data corroborates management's analysis of the business and agricultural loans on the books as of May 31, 1999. Management reports that 97.60 percent of the loans are in the assessment area. This total equates to 84.80 percent of the dollar amount of the loans.

Lending to Borrowers of Different Incomes

The distribution of borrowers reflects a very good dispersion among individuals of different income levels as well as businesses and farms of different sizes within the assessment area. The following table uses income data collected from the sample of consumer loans selected for review. (Note, thirty of the thirty-five files reviewed contained income information).

| Description | % to Low Income Borrowers | % to Moderate Income Borrowers | % to Middle Income Borrowers | % to Upper Income Borrowers |
|------------------------------|---------------------------|--------------------------------|------------------------------|-----------------------------|
| Number of Loans (30) | 26.67% | 20.00% | 26.67% | 26.66% |
| Dollars of Loans (\$165,426) | 17.20% | 20.34% | 25.80% | 36.66% |

The number of loans to each income group compares well to the distribution of households and families by income level, as illustrated below:

| Description | % Low Income (<50% of Median)* | % Moderate Income (50-80% of Median)* | % Middle Income (80-120% of Median)* | % Upper Income (>120% of Median)* |
|-------------------------------|--------------------------------|---------------------------------------|--------------------------------------|-----------------------------------|
| Number of Households (18,948) | 24.59% | 15.48% | 18.40% | 41.53% |
| Number of Families (14,000) | 21.98% | 18.59% | 21.88% | 37.55% |

* 1990 census median household income for the assessment area was \$20,178. Median family income for the assessment area was \$23,716.

The sample data corroborates the internal reports used to determine the distribution by income levels of the entire consumer portfolio (913 loans) as of May 31, 1999. Internal reports reflect 21.36 percent of all consumer loans are made to low income borrowers, 27.38 percent to moderate income borrowers, 24.53 percent to middle income borrowers, and 26.73 percent to upper income borrowers.

The following table uses internal analysis of the entire commercial and agricultural portfolio. The number of loans to the two groups compares very well to the distribution of companies and farms by revenue obtained from the 1990 census data.

| Description | % with \$1,000,000 or less in revenues | % with greater than \$1,000,000 in revenues |
|------------------------------------|--|---|
| Number of Loans (539) | 90.17% | 9.83% |
| Number of Companies/Farms (1,368)* | 94.30% | 5.70% |

* Note, census information available for 1,368 of the 1,620 companies and farms in the area.

Geographic Distribution of Loans

The geographic distribution of sampled loans reflects a reasonable dispersion throughout the assessment area. The addresses of the sampled consumer, commercial and agricultural loans within the assessment area were converted to BNAs using the census tract maps for Jackson, Tillman, and Kiowa Counties. This information was then compared to the distribution of the population from the 1990 census data. The results are reflected on the following table:

| Distribution of Loans by Block Numbering Area Types | | | | |
|---|--------------------------|-------------------------------|-----------------------------------|----------------------------------|
| Description | Percentage of Total BNAs | Percentage of BNAs with Loans | Percentage of Total Loans to BNAs | Percentage of Population in BNAs |
| Low Income BNAs (0) | 0% | 0% (0 of 0) | 0% | 0% |
| Moderate Income BNAs (7) | 36.84% | 71.43% (5 of 7) | 39.22% | 29.20% |
| Middle Income BNAs (10) | 52.63% | 60.00% (6 of 10) | 33.33% | 49.56% |
| Upper Income BNAs (2) | 10.53% | 100% (2 of 2) | 27.45% | 21.24% |
| | | | | |

| Distribution of Loans by Block Numbering Area Types | | | | |
|---|---------|----------------------|---------|---------|
| Total BNAs (19) | 100.00% | 68.42% (13 of 19) | 100.00% | 100.00% |

Responses to Complaints

No complaints concerning the Community Reinvestment Act have been received since the last examination.

Fair Lending Matters

The scope of the fair lending review included the review of sixty-one unsecured consumer loans originated between January 1, 1999 and May 30, 1999. Thirty-eight single male applicants were compared to twenty-three single female applicants. No practices were noted which are intended to discourage applicants from applying for the types of credit offered. Management solicits credit applications from all segments of its community, including low- and moderate-income neighborhoods. Our review revealed substantial compliance with all provisions of the antidiscrimination laws and regulations. The Board and management have developed adequate policies, procedures, and training programs to prevent discriminatory or other illegal credit practices.