

Southwestern District
1600 Lincoln Plaza
500 North Akard
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

January 4, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Waurika National Bank
Charter Number: 8861
101 Main Street
Waurika, Oklahoma 73573**

**Office of the Comptroller of the Currency
Dallas Field Office
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 **Waurika National Bank** (WNB) prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of January 4, 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**.

The following factors support this overall rating:

- The bank's average loan-to-deposit ratio of 35% meets the standards for satisfactory performance given the bank's size, financial condition, and assessment area credit needs. WNB is the smallest financial institution in its market area.
- The bank originated a substantial majority of business, consumer, and home loans sampled during this examination within the bank's assessment area. Since the last evaluation, 89% of the number of loans originated were within the Assessment Area.
- The bank's lending performance reflects a reasonable distribution of credit to businesses of different sizes and borrowers of different income levels. 79% of the commercial loan portfolio is to small business and small farms borrowers.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

The following table shows the performance level of WNB with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	WAURIKA 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	WNB did not receive any complaints concerning its CRA performance.		

Scope of the Examination

This evaluation of WNB's CRA performance covers the period from July 24, 1996 through January 4, 1999. The evaluation includes an analysis of WNB's designated assessment area, which covers the area of Jefferson County, Oklahoma. We also base our analysis on WNB's business and consumer lending, in addition to WNB's home loan activity.

Description of Institution

WNB is a \$12 million institution, with its main office on Main Street in Waurika, Oklahoma. It serves the community of Jefferson County. Currently, WNB does not have any branches or ATMs; however, drive-up teller facilities provide extended weekday hours. WNB was rated "Satisfactory" in the previous CRA public disclosure dated July 24, 1996.

WNB offers a wide range of credit products to its community: agricultural, consumer, commercial, mortgage, and construction loans. However, the number of loans made is limited because WNB employs only one full-time loan officer, which impedes WNB's ability to make and market many loans.

WNB's main competition stems from a local national bank, which is larger and owns a financial institution in another market. Additional competition comes from financial institutions in Ryan,

Oklahoma. Regardless, WNB does not have any financial or legal obstacles affecting its ability to meet its community's credit needs. The following table portrays the principle loan mix of WNB:

TYPES OF DOMESTIC LOANS OUTSTANDING SEPTEMBER 30, 1998 <i>(\$000's)</i>		
<i>TYPE OF LOANS</i>	<i>AMOUNT</i>	<i>PERCENTAGE</i>
1-4 Family Residential Loans	\$263	7%
Commercial Loans	\$1,622	40%
Finance Agricultural Production	\$1,002	24%
Installment	\$1,196	29%
Other (exclude consumer loans)	\$9	0%
TOTAL	\$4,092	100%

Description of Assessment Area (AA)

WNB has defined its AA as Jefferson County, which consists of three block numbering areas (BNA). The AA meets regulatory guidelines and does not arbitrarily exclude any low- or moderate-income areas (LMI). The following table reflects the demographics for the county.

ASSESSMENT AREA DEMOGRAPHICS			
<i>Income Designation</i>	<i># BNAs</i>	<i>% of Total BNAs</i>	<i>% of Households Residing in the BNAs</i>
Low	0	0%	0%
Moderate	1	33%	32%
Middle	2	67%	68%
Upper	0	0%	0%
TOTAL	3	100%	100%

More than 7,010 residents populate the AA. The AA weighted average of census median family income is \$24,139. In addition, the median housing value is \$21,942, with the median age of housing stock in the AA at 38 years. Total occupied housing units is 80%, with owner-occupied housing at 59% and rental-occupied housing at 21%. Vacant housing units in the AA are 19%.

Unemployment rates have remained low and steady over the past two years at approximately 3%. The largest industry in the AA is agriculture production, with the largest employers being Elliott Manufactured Homes, Inc. and Jefferson County Hospital.

We determined the credit needs of the community through discussions with management and by reviewing local community contacts made by this agency and other regulatory agencies. Management indicated that the primary credit need is car and home loans. In addition, we contacted a member of the City Council of Waurika during the examination. The community contact stated that financial institutions are meeting community credit needs.

Conclusions with Respect to Performance Criteria:

This review covered business and consumer loans made the last six months of 1998 and all home mortgage loans made the period from January 1, 1997 to January 4, 1999.

Loan-to-Deposit Ratio

WNB's quarterly average loan-to-deposit ratio for the past nine quarters is 35%. Given the bank's size, financial condition, and assessment area credit needs, WNB meets the standards for satisfactory performance.

We compared WNB's quarterly average loan-to-deposit ratio to its local peer group, which consists of state- and national-chartered banks in Jefferson County. The local peer group's quarterly average loan-to-deposit ratio is 54%, which is higher than the bank's quarterly average.

In comparison to local peer, the major factors that impact WNB's low loan-to-deposit ratio are the following:

- As of September 30, 1998, 29% of WNB's loan portfolio consists of loans to individuals. The bank's primary competitor had 7% of its loan portfolio to individuals.
- WNB is smaller in total asset size compared to the other banks in Jefferson County. As of September 30, 1998, total assets for the other banks ranged from a high of \$38 million to a low of \$17 million.
- President Montgomery does not have Farm Services Administration (FSA) loan expertise; and he does not have certification for Small Business Administration (SBA) lending. Local customers wanting FSA or SBA loans have to go to the other financial institution in Waurika to obtain these types of loans.

However, WNB is demonstrating its ability to meet the credit needs of its assessment area. As of December 31, 1998, WNB had 193 customers. Of the 193, 122 or 63% had loans with balances of \$10 thousand or less.

Lending in Assessment Area (AA)

We took a sample of 18 commercial loans, 30 consumer loans, and reviewed WNB's home loan activity reports for 1997 and 1998 to determine the location of loan originations. Based on the sample, a substantial majority of the bank's loans are in the assessment area.

ASSESSMENT AREA LENDING					
Loan Type	Total Sampled	# of Loans in AA	% of # Loans in AA	Amount (\$000s)	% of \$ Amount
Home Loans	9	9	100%	186	100%
Commercial Loans	18	15	83%	305	41%
Consumer Loans	30	24	80%	139	66%
Total	57	48	89%	630	55%

In addition, management's performed a zip code analysis in February 1998, which showed WNB has 87% of its loans within the bank's AA.

Lending to Businesses of Different Sizes

WNB's lending to businesses of different sizes is adequate. Small business loans are defined as loans of less than \$1.0 million; small farm loans are defined as loans of less than \$500 thousand. Based on our sample of 14 business-related loans, 79% of the commercial loan portfolio is to small businesses and to small farms.

Lending to Borrowers of Different Incomes

WNB's record of lending to borrowers of different income levels was also evaluated using home mortgage loans originating in 1997 and 1998. Our review of home mortgage loans revealed reasonable lending patterns during the examination period.

In 1997, home mortgage loans made by WNB were evenly dispersed between low-, middle-, and upper-income borrowers. While in 1998, the bank provided 20% of the home mortgage loans to moderate-income borrowers, 40% to middle-income borrowers and 40% to upper-income borrowers within the bank's AA.

Geographic Distribution of Loans

WNB has a reasonable distribution of loans in the assessment area. The loans in our sample are primarily in the middle-income BNAs versus the moderate-income BNA. This distribution is reasonable considering competitive factors and the size and location of the bank. The data detailed below shows the majority of lending penetration exists within the middle-income BNAs.

Geographic Distribution of Loans Sampled						
Loan Type	Moderate-Income BNA		Middle-Income BNA		Total	
	#	%	#	%	#	%

Geographic Distribution of Loans Sampled						
Home Mortgage	0	0%	9	100 %	9	100%
Commercial	1	7%	14	93%	15	100%
Consumer	0	0%	24	100%	24	100%

Compliance with Antidiscrimination Laws

A fair lending review performed with this CRA examination revealed satisfactory compliance with fair lending regulations. We noted no practices intended to discourage or impede potential borrowers from applying for credit.

Responses to Complaints

No complaints were received since the prior evaluation.