



PUBLIC DISCLOSURE

September 8, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Security First National Bank
Charter No. 14578**

**100 S. Broadway
Hugo, Oklahoma 74743**

**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 **Security First National Bank** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **September 8, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.*

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

The conclusion is based on the following:

- ▶ The loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and the assessment area credit needs.
- ▶ A substantial majority of loans are made in the assessment area.
- ▶ The distribution of borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area.
- ▶ The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Security First National Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		✓	
Lending in Assessment Area		✓	
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		✓	
Geographic Distribution of Loans		✓	
Response to Complaints	No complaints received.		

DESCRIPTION OF INSTITUTION

Security First National Bank is headquartered in Hugo, Oklahoma. Hugo is located in the extreme Southeastern section of Oklahoma near the Texas/Oklahoma borders. The main bank and drive-through facility are located downtown at 100 S. Broadway. There are no branch locations or Automated Teller Machines (ATMs). Security First National Bank is a wholly-owned subsidiary of Sooner Southwest Bancshares, Inc., a one-bank holding company. The local economy is primarily based on small farming and ranching operations.

The bank's primary focus is residential mortgages and agriculture (including farmland). However, a variety of loan products are offered including commercial, commercial real estate (RE), and consumer loans. As of June 30, 1998, Security First National Bank reported total assets of \$66 million of which \$42 million, or 64 percent of total assets, were composed of loans to individuals and businesses. The loan portfolio composition as of June 30, 1998 is as follows:

Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	\$15,342	36%
Commercial	\$6,515	15%
Installment	\$6,175	15%
Commercial RE	\$6,543	15%
Agriculture & Farmland	\$7,919	19%
TOTAL	\$42,494	100%

Security First National Bank's competition consists of four financial institutions in Choctaw County and two in Pushmataha County. While the four competing banks in Choctaw County are state-chartered, three are only branch locations of banks with headquarters outside of the County. The banks in Pushmataha County (one federally-chartered and one state-chartered) are locally owned. Based on information compiled by the FDIC, the market share of deposits held by institutions operating in Choctaw County only as of June 30, 1997 were: Security First National Bank (49%), Bancfirst (23%), First United (21%), and First National Bank of Durant (7%). As of June 30, 1997, there were no deposits generated in Pushmataha County.

There are no known factors which have or may potentially impede the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF THE ASSESSMENT AREA

The Bank’s assessment area (AA) is defined as all Block Numbering Areas (BNAs) of Choctaw and Pushmataha Counties. This area meets the requirements of the regulation and it does not arbitrarily exclude any low- or moderate-income areas. The AA contains 8 BNAs. The 1990 U.S. Census Bureau data identifies these tracts to have the following characteristics:

Tract Income Characteristics	Number of Tracts	Percentage of Total Tracts
Low	1	12%
Moderate	5	63%
Middle	2	25%
Upper	0	0
TOTAL	8	100%

The Census Bureau information reflected a total population of 26,299 in the assessment area. It contained 12,034 housing units with 7,649, or 63%, being owner-occupied. Additionally, there were 10,267 households and 7,431 families in the area. Fifty-eight percent (58%) of the households derive their income from wages or salaries.

The following table shows the income distribution of BNAs/CTs and families that comprise the bank’s assessment area:

Income Distribution of BNAs/CTs and Families															
Low-Income				Moderate-Income				Middle-Income				Upper-Income			
BNA/CT		Families		BNA/CT		Families		BNA/CT		Families		BNA/CT		Families	
1	12%	805	11%	5	63%	4,811	65%	2	25%	1,815	24%	0	0%	0	0%

Source: 1990 U.S. Census.

Choctaw County

Hugo, Oklahoma is approximately 195 miles south of Tulsa, Oklahoma. Hugo is the county seat and has a population of 5,978 based on 1990 U.S. Census data.

The 1990 U.S. Census Bureau reports a population of 15,250 for the County and 5,978 for Hugo. There are 5 BNAs in Choctaw County (1 low-income; 2 moderate-income; and 2 middle-income). There are no upper-income tracts.

The median family income (MFI) for Choctaw County is \$16,880. This income figure is used to determine the income level of individual BNA's. The Department of Housing and Urban Development's (HUD) most recent estimated statewide median family income (MFI) for non-Metropolitan Statistical Areas (MSAs) is \$31,100. The HUD estimated MFI is used to determine the income level of individual applicants and is updated annually.

The bank's primary trade area is Choctaw County. Major employers in the county include medical, social and educational services, and retail. The local economy is depressed, however, the agricultural markets are stabilizing with improving trends. As of June, 1998, the unemployment rate for the county is 9.4%. The unemployment rate for the state is 4.1%, and the national unemployment rate is 5.0%.

Pushmataha County

Pushmataha County, Oklahoma is adjacent to Choctaw County to the north. Antlers serve as the county seat. The 1990 U.S. Census reports a population for Pushmataha County of 10,997 and 2,524 for Antlers. There are 3 BNAs in Pushmataha County; All are moderate-income tracts.

As of June, 1998, the unemployment rate for Pushmataha County is reported at 6.2%. Major employers are centered in health and educational services. The MFI for the county is \$16,594. The Department of Housing and Urban Development's most recent estimated statewide median family income for non-MSAs is \$31,100.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

A sample of 71 loans originated from January 1, 1998 through August 31, 1998, was used to determine the bank's lending performance in the assessment area, lending to borrowers of different incomes and businesses of different sizes, and geographic distribution of loans. The sample represents all residential real estate loans originated during 1998 (21 loans). In addition, we sampled 23 consumer loans, 18 small business loans, and 9 agriculture loans.

Loan-to-Deposit Ratio

The loan-to-deposit (L/D) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. The ratio has averaged 66% for the 6 quarters from March 31, 1997 to June 30, 1998, and has ranged from a peak of 75% on June 30, 1998 to a low of 60% on June 30, 1997. Security First National Bank is the largest bank in terms of total assets and has the highest quarterly and current L/D ratio among banks based in Choctaw County.

Lending in Assessment Area

A substantial majority of loans originated in the AA based on a review of the loan samples used in this evaluation. Of the sample of residential home loans, 95% of the number of loans (20 of 21) and of total loan dollars (\$508,903 of \$533,403) were made in the AA. Of the sample of the consumer (23), small business (18), and agriculture (9) loans, 42 of 50 (84%) were made in the AA. By dollar volume, the sample of small business and agriculture loans totaled \$806,809 of which \$566,201 or 70% were made in the AA.

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

Residential Real Estate Loans

The distribution of borrowers reflects a reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes, given the demographics of the assessment area. The following table shows the distribution by borrower income levels of the number and dollar volume of residential real estate loans originated in 1998.

Distribution of Loans in Assessment Area by Borrower Income								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Family Characteristics	2,644	36%	1,586	21%	1,264	17%	1,937	26%
Number of Loans	3	14%	3	14%	7	33%	7	33%
Dollar Volume	\$46,857	9%	\$39,345	8%	\$176,026	35%	\$246,675	48%

Source: 1990 U.S. Census data and bank data.

Small Business and Small Farm Loans

Security First National Bank has a satisfactory record of making loans to businesses and farms of different sizes. Of 27 loans, 23 or 85% were made to small businesses and farms with gross annual revenues less than or equal to \$1 million. The dollar volumes of small business and small farm loans made in the AA total \$566,201 of which \$452,694 or 80% were made to small businesses and small farms with gross annual revenues less than or equal to \$1 million. In terms of loan size, the largest loans in the sample approximated \$158 thousand. The majority of loans sampled were less than \$65,000.

Geographic Distribution of Loans

Residential Real Estate Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the AA, based on the sample used in this evaluation. There is one low-income tract in the AA: BNA #9972 in Choctaw County. BNA #9972 is in the city limits of Hugo. The sample shows only one loan originated in BNA #9972; however, this may not be indicative of the 48 residential home loans originated in 1997. The table below shows the geographic distribution of residential home loans made in the AA by BNAs/CT

Distribution of Loans in Assessment Area by Census Tract/BNA								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Tract Characteristics	1	12%	5	63%	2	25%	0	0%
Number of Loans	1	5%	12	57%	7	33%	0	0%
Dollar Volume	\$19,581	4%	\$335,447	63%	\$153,875	29%	\$0	0%

Source: 1990 U.S. Census data and bank data.

Small Farm Loans

A review of farm loans reflects a reasonable penetration throughout the AA. The low penetration within the AA is feasible given the majority of agriculture businesses is outside of the AA. The distribution of loans sampled are shown below in the table:

<i>Distribution of Loans in Assessment Area by Census Tract/BNA</i>								
Income Levels	Low		Moderate		Middle		Upper	
	#	%	#	%	#	%	#	%
Tract Characteristics	1	12%	5	63%	2	25%	0	0%
Number of Loans	1	11%	3	33%	0	0%	0	0%
Dollar Volume	\$25,585	9%	\$21,914	8%	\$0	0%	\$0	0%

Source: 1990 U.S. Census data and bank data.

Response to Complaints

Security First National Bank has not received any complaints regarding its performance in meeting assessment area credit needs.

ADDITIONAL INFORMATION

Discrimination or Other Illegal Credit Practices

A Fair Lending review was conducted in conjunction with the bank's CRA performance. No evidence of discrimination or disparate treatment was noted during this review. We did find instances where prohibited information under the Equal Credit Opportunity Act was collected. The circumstances surrounding this issue did not and has not resulted in unequal treatment of loan applicants. The practice, however, resulted in a violation of law.