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Comptroller of the Currency  
Administrator of National Banks

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## **Public Disclosure**

**January 12, 1998**

### **Community Reinvestment Act Performance Evaluation**

**Tulsa National Bank  
Charter Number: 18427**

**P.O. Box 1051  
Tulsa, Oklahoma 74101**

**Office of the Comptroller of the Currency  
Tulsa Duty Station**

**7134 South Yale, Suite 910  
Tulsa, Oklahoma 74136**

**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 CRA performance of **Tulsa National Bank , Tulsa, Oklahoma** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of **January 12, 1998**. 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 Record of Meeting Community Credit Needs**.

Tulsa National Bank continues to meet the spirit and intent of the CRA in serving the credit needs of the Tulsa community. The bank's loan-to-deposit ratio is approaching 80% and exceeds the national average. The bank extends a substantial majority of these loans within the defined assessment area and its distribution of loans to borrowers of different income levels is reasonable. The bank demonstrates a strong commitment to small business lending.

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

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**Community Reinvestment Act Performance Evaluation**  
**Tulsa National Bank**

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

<b>Small Institution Assessment Criteria</b>	<b>Tulsa National Bank Performance Levels</b>		
	<b>Exceeds Standards for Satisfactory Performance</b>	<b>Meets Standards for Satisfactory Performance</b>	<b>Does Not Meet Standards for Satisfactory Performance</b>
<b>Loan-to-deposit ratio</b>		<b>X</b>	
<b>Lending in assessment area</b>		<b>X</b>	
<b>Lending to borrowers of different incomes and to businesses of different sizes</b>		<b>X</b>	
<b>Geographic distribution of loans</b>		<b>X</b>	
<b>Response to complaints</b>	<b>No complaints were received since the prior examination.</b>		

## **DESCRIPTION OF INSTITUTION**

Tulsa National Bank (Tulsa National) is a \$106 million community bank located in Tulsa, Oklahoma. Tulsa National is wholly owned by Tulsa National Bancshares, Inc., a one bank holding company. The bank was established in 1984 and serves the community with a main office and attached drive-in facility located in south central Tulsa. The bank does not operate any branches or own any proprietary automated teller machines (ATM), but is a member of the Transfund network which provides customers with free access to ATM services.

Tulsa National was formed with a business plan primarily emphasizing commercial and small business lending. This continues to be the predominant business strategy as evidenced by the composition of the loan portfolio. Tulsa National has chosen not to aggressively compete with the numerous large bank and non-bank competitors for traditional consumer loans. On December 31, 1997, Tulsa National had \$74 million in outstanding loans and a loan-to-deposit ratio of 79%. Loans for commercial purposes equal 71% of the total loan dollars outstanding. Commercial loans include residential construction lending, a primary business for Tulsa National. Tulsa National derives a significant portion of funding from large time deposits, with the level of core deposits significantly lower than its peer. There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area. The loan portfolio consists of the following types of loans:

<b>Loan Portfolio Distribution</b> <b>December 31, 1997</b>	
Type of Loans:	% of Average Total Loans
Commercial Real Estate	27%
Commercial & Industrial	26%
Residential	24%
Residential Construction & Development	18%
Loans to Individuals	5%
Total	100%

## DESCRIPTION OF ASSESSMENT AREA

The assessment area meets the requirements of the regulation and does not arbitrarily exclude low or moderate income geographies. The bank's assessment area is fully contained within Tulsa County and the Tulsa Metropolitan Statistical Area (MSA). The assessment area stretches approximately 5 miles in each direction from the main office located at 71st and Lewis Avenue. The assessment area includes 60 of the 207 census tracts that comprise the Tulsa MSA. The breakdown of the census tracts within the assessment area by income level is as follows:

Tract Income Level	Number of Tracts	Percentage
Low Income	2	3%
Moderate Income	7	12%
Middle Income	19	32%
Upper Income	32	53%
Totals	60	100%

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

The two low income tracts primarily consist of apartment complexes and small retail businesses. Rental units in the low income tracts and moderate income tracts represent 89% and 61% of the total housing units, respectively. According to housing data, there are 98,013 housing units in the bank's assessment area. Of these units, 50% are owner-occupied, 41% are rental-occupied, and 9% are vacant. The median year built is 1966, with a median value of \$84,665.

1990 U.S. Census data indicates the median family income for the assessment area is \$32,578. The following table shows the income distribution of **total families** living in the bank's assessment area:

Income Level	Count	Percentage
Low Income	7,948	15%
Moderate Income	7,568	14%
Middle Income	9,964	18%
Upper Income	29,238	53%
Totals	54,718	100%

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

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**Community Reinvestment Act Performance Evaluation**  
**Tulsa National Bank**

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According to 1990 U.S. Census data, the population of Tulsa National's assessment area is 201,535. Demographic data reflects a population which is 88% White, 5% Black, 4% American Indian, 2% Hispanic, and 1% Asian.

Tulsa National's banking facilities are located in south central Tulsa in the center of the City's predominantly upper-income residential tracts. Tulsa National's consumer customer base is drawn primarily from the upper and middle income area surrounding the main office and drive-in facility, with commercial loans more widely dispersed throughout the assessment area.

Competition from other providers of loans and financial services is strong within the assessment area and throughout the Tulsa community. The area is served by numerous branches of large regional institutions such as Nations Bank and Bank One. In addition, there are several other banking and non-banking institutions with an active presence in the assessment area.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

#### **Loan-to-Deposit Ratio**

The loan-to-deposit ratio is reasonable given the bank's asset size, financial condition, and known credit needs of its assessment area. Since the last CRA evaluation in February 1995, the bank's quarterly loan-to-deposit ratio has averaged approximately 70%. The ratio has been increasing and currently equals almost 80%.

#### **Lending in the Assessment Area**

A substantial majority of the bank's loans originated within the assessment area. Internal analysis performed by the bank for 1996 reflected 65% of loans both in terms of the number and dollar amount of originations were within the assessment area. To test lending activity for 1997, we reviewed a sample of 20 residential loans, 20 consumer loans, and 20 commercial loans. Our review concluded that a majority of lending activity occurs within the assessment area. The following chart summarizes the results of review which supports the fact that the bank is committed to its local communities and takes an active role in meeting credit needs.

<b>Lending Within the Assessment Area</b>				
Type of Loan:	# Inside	% Inside	\$ Inside	% Inside
Residential	15	75%	2,168M	80%
Consumer	14	70%	172M	76%
Commercial	14	70%	3,380M	73%

*Source: Loan review of 20 loans for each type of loan.*

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

Overall, it was determined that Tulsa National is satisfactorily lending to borrowers of different incomes and businesses of different sizes within the assessment area. Management implemented a system at the beginning of 1997 to track loans according to the borrower's income level. We were provided a computer generated report for all consumer and residential loans originated in 1997. Loans were made across all income levels, with a distribution reflecting the demographics of the population surrounding Tulsa National's single office. The following table reflects the distribution by income category:

<b>Distribution of Loans by Income Level January 1, 1997 through December 31, 1997</b>								
\$ shown in 000's	<b>Consumer</b>				<b>Residential</b>			
<b>Income Level</b>	#	%	\$	%	#	%	\$	%
Low Income	15	11%	59	3%	4	2%	120	1%
Moderate Income	19	14%	124	7%	5	3%	144	1%
Middle Income	21	16%	202	11%	7	4%	291	2%
Upper Income	79	59%	1,519	79%	152	91%	12,565	96%
Totals	134	100%	1,904	100%	168	100%	13,120	100%

*Source: Computer generated report provided by the bank and validated during the review.*

Additionally, our review of 20 business loans reveals a substantial majority were made to businesses with gross revenues less than \$1 million. The following table shows how these loans were distributed based on their revenues.

<b>Distribution of Business Loans By Original Loan Size</b>				
Revenue (000's)	# of loans	% of loans	\$ of loans	% of loans
\$0-250	9	45%	\$1,888	39%
\$250-500	4	20%	\$2,296	47%
\$500-1 million	1	5%	\$160	3%
> 1 million	6	30%	\$525	11%

*Source: Loan review of 20 commercial loans.*

### **Geographic Distribution of Loans**

Utilizing the same sample that was used to assess lending within the assessment area, it was determined that the geographic distribution of loans originated by Tulsa National reflects a reasonable dispersion throughout the assessment area. Loans to individuals were made across low, moderate, middle, and upper income geographies, with a distribution reflecting the demographics of the geographies surrounding Tulsa National's single office. Residential lending across upper-income geographies is relatively high, mainly due to construction lending to builders in the immediate area surrounding the bank. Permanent financing on many of the construction loans is obtained through the bank's mortgage loan department and sold in the secondary market. Based on management's internal geographic analysis and our loan review, it appears no low or moderate areas are being arbitrarily excluded.

### **Response to Complaints**

No complaints relating to CRA performance have been received by the bank.

### **Compliance with Fair Lending Laws and Regulations**

A fair lending examination was conducted as part of a concurrent compliance examination of Tulsa National. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No violations of law were identified.