



Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

Public Disclosure

November 12, 1996

Community Reinvestment Act Performance Evaluation

**The Central National Bank of Poteau
Charter Number: 12158
209 Clayton Avenue
Poteau, Oklahoma 74953**

**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 **The Central National Bank of Poteau** prepared by the **Office of the Comptroller of the Currency**, the institution's supervisory agency, as of November 12, 1996. 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 Central National Bank of Poteau originates a large volume of loans in its community, including low- and moderate-income (LMI) areas.
- The bank demonstrates a commitment to small business and small farm lending.

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

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

Small Institution Assessment Criteria	The Central National Bank of Poteau 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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Central National Bank of Poteau (CNB) is a \$98 million independent bank based in Poteau, Oklahoma. CNB is owned by Central Bancshares of Poteau, Inc., a one bank holding company. The bank operates its main office, a drive-in facility, and an automated teller machine in Poteau; and has one branch each in the communities of Panama and Pocola. As evidenced by the composition of the loan portfolio, the bank's primary business strategy focuses on agriculture, commercial, and residential real estate lending. At September 30, 1996, these categories represented approximately 88% of the bank's loan portfolio. A breakdown of this loan mix follows:

Loan Type	Percent of Portfolio
Agriculture Production/Farmland	41%
1-4 Family Residential Real Estate	24%
Commercial & Commercial Real Estate	23%

Based on its financial condition and size, product offerings, and prior performance, CNB has the ability to meet the various needs of its communities. No legal impediments or other factors hinder the bank's ability to provide credit.

DESCRIPTION OF ASSESSMENT AREA

CNB designated its assessment area as LeFlore County, Oklahoma. The assessment area meets the requirements of the regulation. Of the nine census tracts served, two are moderate income tracts and seven are middle income tracts. The assessment area does not arbitrarily exclude LMI geographies. U.S. Census data indicates the median family income for the county is \$24,139. The following table shows the income distribution of **families** living in the assessment area:

Income Level	Count	Percentage
Low Income	3,083	25%
Moderate Income	2,144	18%
Middle Income	2,689	22%
Upper Income	4,214	35%
Totals	12,130	100%

Source: U.S. Census Data

According to 1990 U.S. Census data, the population of LeFlore County is 43,270.

Demographic

data reveals the population is 85% white, 12% American Indian, and 3% black.

The local economy is diversified and includes a large agriculture base and various commercial enterprises. The bank and the community are not dependent upon any particular industry or employer. Major employers in the county include OK Foods, Inc. (531), Eastern Oklahoma Medical Center (450), and Wortz Cracker Company (401). The area is served by seven financial institutions, including CNB.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank has a good loan-to-deposit ratio, given its asset size, financial condition, and the known credit needs of its assessment area. Since the last CRA evaluation in February 1994, the bank's quarterly loan-to-deposit ratio has averaged approximately 68%. This is above the 62% average reported by local competing financial institutions. During the eleven quarters reviewed, the bank's loan-to-deposit ratio went from 59% on March 31, 1994 to the current ratio of 71%.

The bank has been active in providing credit to develop the community. Examples include:

- *Agricultural lending:* Agriculture production loans and loans secured by farmland represent 38% of the bank's loan portfolio.
- *Government guaranteed lending:* The bank is a community leader in providing guaranteed loans. These loans, particularly those for poultry and pork production facilities, provide individual business opportunities that may not otherwise exist. In fact, the bank was instrumental in developing the pork production program in LeFlore County. By offering credit for the pork facilities, the bank was successful in enticing Cargill, Inc. to expand its operations into parts of the county.
- *Residential lending:* Residential real estate loans represent 24% of the bank's loan portfolio. Local community leaders indicated a need for affordable housing within the community. The bank participates in two special lending programs with the Choctaw Nation Housing Authority providing home loans for LMI individuals in the community.

Lending in the Assessment Area

A substantial majority of the bank's loans are within the assessment area. Based on the

bank's analysis, recent loan activity reveals that 84% of loans originate within the assessment area. This indicates the bank is committed to its local communities and takes an active role in meeting credit needs.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's loan portfolio reflects a reasonable distribution among individuals of various income levels. Approximately 10% of real estate and 33% of consumer loans are to LMI individuals. The low percentage for real estate lending is reasonable given the fact the bank had very few denials in 1995 and 1996. The following table reflects the distribution by income category:

Distribution of Lending by Borrower Income

Income Level	Consumer Loans	Real Estate Loans
Low Income	12%	6%
Moderate Income	21%	4%
Middle Income	38%	20%
Upper Income	29%	70%
Totals	100%	100%

Source: Loan review of 30 consumer loans and 50 real estate loans.

The loan portfolio reflects a good distribution among businesses of various sizes and small farms. A sample of commercial loans revealed a majority of the lending is to small businesses. In fact, 60% of the loans sampled were to businesses with annual revenues less than \$500 thousand. The bank also has eight loans guaranteed by the Small Business Administration totaling \$568 thousand. Additionally, the bank has fifty-nine guaranteed loans to poultry operations totaling more than \$10 million and thirty-five guaranteed loans to pork production operations totaling more than \$5.5 million. All of these loans are to businesses and farms with annual revenues less than \$1 million. This distribution supports the conclusion that CNB is committed to small business and small farm lending.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area. The bank's analysis revealed loan penetration in every census tract within the assessment area. As expected, the bulk of the lending is located in communities in which the main banking office and branches are located. LMI areas are not 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 CNB. The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. No violations of law were identified.