



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

December 05, 2012

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank  
Charter Number 9888

400 E.1st Street  
Heavener, OK 74937

Office of the Comptroller of the Currency

8282 South Memorial Drive, Suite 300  
Tulsa, OK 74133

**NOTE:** This document is an evaluation of this 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. 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.

Note: Throughout this evaluation First National Bank will be referred to as "FNB".

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

- FNB's lending performance is satisfactory given its size, financial condition, and identifiable credit needs within the assessment area.
- FNB's average loan-to-deposit (LTD) ratio of 94% since the previous evaluation exceeds the standard for satisfactory performance.
- FNB generates a majority of its loans within its assessment area.
- Management demonstrates a willingness to originate loans to low- and moderate-income individuals (LMI) and small farms.

## DESCRIPTION OF INSTITUTION

FNB is a \$74 million community bank located in Heavener, Oklahoma. FNB is 100% owned by Sooner Southwest Bankshares, Inc., a multi-bank holding company.

FNB operates from its main bank and a separate drive thru location in Heavener and a branch office located in Poteau, Oklahoma. Hours of operation are responsive to the general banking needs of the communities served. Regular banking hours at the main-bank are 9:00 a.m. to 4:00 p.m. Monday-Thursday with extended hours offered on Friday from 9:00 a.m. to 5:00 p.m. The Heavener branch consists of a four-lane drive-thru facility, including one lane dedicated for automated teller machine (ATM) transactions. Hours of operation are 7:30 a.m. to 5:30 p.m. Monday-Friday and 7:30 a.m. to 12:00 p.m. on Saturday. The branch in Poteau, Oklahoma consists of a lobby and seven-lane drive-thru, with one designated for commercial customers and another for ATM transactions.

FNB was last evaluated under the CRA on July 24, 2006. A Satisfactory rating was assigned. There are no legal, financial, or other barrier's impeding the bank's ability to meet the credit needs of the assessment area. FNB offers a variety of credit products especially for individuals, small farms, and small businesses. The two largest loan concentrations are agricultural real estate and loans secured by one-to-four family residential properties. On June 30, 2012, the loan portfolio distribution was as follows:

<b>June 30, 2012 Loan Portfolio Distribution</b>		
<b>Loan Type</b>	<b>Amount (\$000)</b>	<b>Percent of Total</b>
<b>REAL ESTATE:</b>		
Construction & Land Development	986	2.03
Farmland	21,237	43.74
1-4 Family Residential	12,445	25.63
Multifamily	223	0.46
Commercial	6,667	13.73
<b>SUBTOTAL REAL ESTATE:</b>	<b>41,558</b>	<b>85.59</b>
Agriculture	1,452	3.17
Commercial & Industrial	2,190	4.51
Consumer	3,284	6.76
Other	68	0.14
<b>TOTAL</b>	<b>48,552</b>	<b>100.00</b>

## DESCRIPTION OF FNB's Assessment Area

FNB has designated the entire Le Flore County of Oklahoma as its assessment area. This delineation meets the technical requirement of the regulation and does not arbitrarily exclude low- or moderate-income geographies or individuals. FNB annually reports residential lending data under the Home Mortgage Disclosure Act (HMDA) as a result of Le Flore County's inclusion in the Fort Smith, Arkansas metropolitan statistical area (MSA). According to 2000 US Census Data, there are nine census tracts in Le Flore County and all are designated as middle-income census tracts. Le Flore County has a population of 48,109. Demographic data reveals a racial mix of 78% White, 11% American Indian, 4% Hispanic, 5% other, and 2% African American.

The local economy is primarily derived from businesses affiliated with the poultry industry. A switching facility for the Kansas City Southern Railway is also located in Heavener, Oklahoma. Major employers include OK Foods Corp. and Southern Railway. There are three additional financial institutions operating in Le Flore County.

A community contact interview was conducted with an entity involved in the local community to help promote economic growth and development.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	13,281
Number of Households	17,874
<i>Geographies</i>	
Number of Census Tracts/BNA	9
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	100.00%
% Middle-Income Census Tracts/BNA	0.00%
% Upper-Income Census Tracts/BNA	0.00%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	37,051
2000 HUD-Adjusted MFI	47,800
<i>Economic Indicators</i>	
Unemployment Rate: (as of July 2012)	
United States	8.1%
Oklahoma	4.9%
LeFlore County	10.1%
2000 Median Housing Value	51,333
# of Households Below Poverty Level	3,393

Source: 2000 Census Data, Bureau of Labor Statistics

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

FNB's lending performance was evaluated based on two primary loan products – residential and farm loans account for 79% of the total loan portfolio. HMDA data for 2010 and 2011 was used to analyze residential lending. In addition, 30 farm loans and 30 consumer auto loans originated since June 30, 2006 were sampled. Based on our analysis and consistent with bank resources and capabilities, FNB is satisfactorily meeting the credit needs of the assessment area.

### Loan-to-Deposit Ratio

FNB's loan-to-deposit ratio reflects a more than reasonable level of performance. Since the second quarter of 2006, FNB's loan-to-deposit ratio averaged 94%. The average loan-to-deposit ratio for FNB's peer group was 60% for the same time period.

Institution	Total Assets (as of June 30, 2012)	Average LTD Ratio
First National Bank, Heavener	\$74 million	94%
The Community State Bank, Poteau	\$192 million	85%
Spiro State Bank, Spiro	\$54 million	34%
The Central National Bank of Poteau	\$228 million	62%

Source: Consolidated Reports of Condition and Income; Uniform Bank Performance Report.

### Lending in Assessment Area

A substantial majority of loans originated by FNB are to customers and businesses that reside within the bank's assessment area. As reflected in the following charts, 91% of the number and 88% of the dollar volume of residential and consumer loans were made within the AA.

**Table 1 – Lending in Le Flore County**

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	35	92.11	3	7.89	38	1,608	88.25	214	11.75	1,822
Home Improvement	8	80.00	2	20.00	10	288	75.59	93	24.41	381
Refinancing	30	93.75	2	6.25	32	2,486	89.42	294	10.58	2,780
Consumer (auto)	27	<b>90.00</b>	3	10.00	30	211	<b>91.00</b>	22	9.00	233
Totals	100	<b>90.91</b>	10	9.09	110	4,593	<b>88.06</b>	623	11.94	5,216

Source: HMDA Data, Loan Samples

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

FNB’s distribution of loans to individuals of varying income levels and small farms meets the standard for satisfactory performance. The following tables represent the distribution of residential real estate loans and consumer auto loans for families and households within the assessment area based on their income levels and farm loans based on gross revenue.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in Le Flore County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans	% of AA Families	% of # of Loans
Home Purchase	24.89	2.86	20.29	31.43	21.95	31.43	32.87	25.71
Home Improvement	24.89	0.00	20.29	25.00	21.95	37.50	32.87	37.50
Refinancing	24.89	3.33	20.29	20.00	21.95	30.00	32.87	46.67

Source: HMDA Data, U.S. 2000 Census Data

<b>Table 2A - Borrower Distribution of Consumer Auto Loans in Le Flore County</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	25.20	30.00	16.89	20.00	18.22	13.00	39.69	37.00

Source: Loan sample; U.S. 2000 Census Data.

<b>Table 2B - Borrower Distribution of Loans to Farms in Le Flore County</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unknown	Total
% of AA Farms	100.00	0.00	0.00	100%
% of Bank Loans in AA by #	91.00	9.00	0.00	100%
% of Bank Loans in AA by \$	85.00	15.00	0.00	100%

Source: Loan Sample, Dunn and Bradstreet

The number of residential real estate loans to low-income families was below the percentage of low-income families living within the assessment area. Management attributes this to an above average unemployment rate in Le Flore County, 18% of households that are below the poverty level, and 22% of housing in the AA are rental units predominantly occupied by low-to-moderate income individuals and families. In addition, obstacles typically associated with granting credit to low-income individuals include high debt-to-income ratios, inability to meet the down-payment requirements, and issues associated with derogatory credit. The level of residential lending to moderate-income families reflects a reasonable distribution of residential lending based on demographic data. FNB has a satisfactory record of lending to low-income borrowers in non-real estate related loan products, such as auto financing. FNB provides secondary market

financing alternatives to customers who are unable to meet the conventional real estate guidelines offered by the bank.

FNB has an excellent record of lending to small farmers, especially those operating poultry houses. FNB currently has loans totaling \$23 million to borrowers with one or more poultry house operations. Of the thirty borrowers we sampled, the majority were to farmers with gross annual revenue of less than \$1 million.

### **Geographic Distribution of Loans**

A geographic analysis of the loans at FNB would not be meaningful. FNB has designated the entire LeFlore County as its assessment area. There are nine census tracts in the assessment area and all are classified as middle-income census tracts, eliminating the possibility for disparate treatment based solely on geography.

### **Responses to Complaints**

FNB has not received any complaints relevant to CRA during the evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.