



**SMALL BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

## **PUBLIC DISCLOSURE**

**September 08, 2003**

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

**First National Bank Of Muskogee  
Charter Number 24202**

**510 North Main Street  
Muskogee, OK 74401**

**Comptroller of the Currency  
Assistant Deputy Comptroller Leigh Hoge  
Tulsa Field Office  
7134 South Yale  
Executive Center Bldg., Suite 910  
Tulsa, OK 74136**

**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.**

## TABLE OF CONTENTS

<b>INSTITUTION'S CRA RATING.....</b>	<b>1</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>2</b>
<b>DESCRIPTION OF ASSESSMENT AREA .....</b>	<b>3</b>
<b>CONCLUSIONS ABOUT PERFORMANCE CRITERIA.....</b>	<b>4</b>

## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The major factors that support this rating include:

- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- A majority of the bank's loans are made within the assessment area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.
- The bank meets the standard for satisfactory performance for the distribution of loans in the various income tract levels.
- The bank has not received any consumer complaints regarding Community Reinvestment Act (CRA) performance.

First National Bank of Muskogee, Oklahoma is committed to serving the community. This is demonstrated by satisfactory lending performance as described in this Public Disclosure.

## DESCRIPTION OF INSTITUTION

First National Bank of Muskogee (FNB) is headquartered in Muskogee, Oklahoma. It is wholly-owned by First Muskogee Financial Corp., a one-bank holding company. FNB is a new bank that opened on July 16, 2001. The main bank, drive-through, and Automated Teller Machine are located at 510 North Main Street, Muskogee, Oklahoma. FNB's primary focus is to serve commercial and consumer customers in its assessment area. FNB meets these needs by providing various types of loan and deposit products and services.

As of June 30, 2003, FNB's total assets equaled \$79.6 million, of which \$45.5 million, or 57 percent, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consists of the following:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Loans	17,093	37.53
Commercial Real Estate Loans	14,865	32.64
Residential Real Estate Loans	8,019	17.61
Consumer Loans	3,839	8.43
Agricultural Loans	1,725	3.79
<b>Total</b>	<b>45,541</b>	<b>100.00</b>

A substantial majority of the loans in the residential real estate category above will be sold to the secondary market within 30 days.

There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area. The bank has not received a CRA examination or Performance Evaluation in the past because it is a new bank.

## DESCRIPTION OF ASSESSMENT AREA

The assessment area adopted by FNB consists of whole geographies, does not reflect illegal discrimination and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<i>Population</i>	
Number of Families	18,531
Number of Households	26,453
<i>Geographies</i>	
Number of Census Tracts/BNA	15
% Low-Income Census Tracts/BNA	0%
% Moderate-Income Census Tracts/BNA	33%
% Middle-Income Census Tracts/BNA	47%
% Upper-Income Census Tracts/BNA	20%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$35,250
2003 HUD-Adjusted MFI	\$39,400
<i>Economic Indicators</i>	
Unemployment Rate	3%
2000 Median Housing Value	\$57,237
% of Households Below Poverty Level	17%

FNB has defined their assessment area as Muskogee County in East Central Oklahoma. There are fifteen contiguous Block Number Areas (BNA's) in the county. BNAs #1, #2, #6, #7, and #15 are moderate-income tracts, #3, #4, #9, #11, #12, #14, and #16 are middle-income tracts, and #8, #10 and #13 are upper-income tracts. The bank is located in BNA #4.

Based on the 2000 census data, the total population of the assessment area is 69,451. Of the 29,575 total housing units, 18,414 or 62 percent are owner occupied. Households below the poverty level total 4,663 or 17 percent and households that receive public assistance total 1,800 or 6 percent of the total number of households.

The local economic conditions are stable. Muskogee is recognized by the Oklahoma Department of Commerce as the third largest manufacturing community in Oklahoma. The area has strong waterways, with the Port of Muskogee being one of two water ports in the state. The area is also popular for the recreational activities at several nearby lakes. Although Muskogee is less than 50 miles from the second largest city in the state, there are very few who commute to Tulsa. The major employers in the assessment area consist of Georgia Pacific, Muskogee Regional Medical Center, U. S. Veterans Administration and Hospital, and Muskogee School District.

Local banking competition includes a few stand-alone community banks and several branches of larger Oklahoma financial institutions and out-of-state institutions.

A community contact was conducted during this review to help ascertain the credit needs of the assessment area. The immediate credit needs of the community are being fulfilled, according to the contact. The bank and all of the financial institutions are considered to be involved in the various community development activities and programs in the area.

## **CONCLUSIONS ABOUT PERFORMANCE CRITERIA**

The Performance Evaluation (PE) assesses the bank's performance focusing primarily on five performance criteria: the loan-to-deposit ratio, lending in the assessment area, lending to borrowers of different incomes and to businesses/farms of different sizes, geographic distribution of loans, and responses to complaints.

In evaluating the bank's lending performance, a random sample of 60 loans was reviewed. Major loan products offered by the bank were sampled and consisted of the following: consumer loans (20), residential real estate loans (20), and business loans (20) that originated between September 1, 2002 and September 5, 2003.

Based on the analysis and consistent with available resources and capabilities, the bank is meeting the credit needs of its assessment area in a satisfactory manner.

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

The loan-to-deposit ratio is satisfactory given the institution's size, financial condition, assessment area credit needs and the fact the bank has only been open since July 16, 2001. This determination is based on the bank's quarterly average loan-to-deposit ratio from September 30, 2002 through June 30, 2003 of 54.97 percent. This one year average loan-to-deposit ratio reflects the more current ratios of the bank. The table below shows the trend of the bank's loan-to-deposit ratios since the bank opened.

Date	Total Assets (000's)	LTD Ratio
September 30, 2001	40,244	15.58%
December 31, 2001	51,618	30.51%
June 30, 2002	70,825	38.54%
December 31, 2002	76,555	56.50%
June 30, 2003	79,572	62.35%

The average loan-to-deposit ratio for the 21 banks operating in Muskogee County and the 6 surrounding counties at June 30, 2003 was 67.39 percent. The ratios of the group ranged from 24.87 percent to 99.18 percent. As the table below illustrates, the bank's ratio is in line with the other stand-alone similarly situated banks in the area and in line with the other 21 banks in the 7 county area.

Institution	Assets (as of 6/30/03)	Average LTD Ratio
The First National Bank & Trust Company of Okmulgee	116,482	74.77%
The First National Bank of Stigler	80,033	47.97%
<i>First National Bank of Muskogee</i>	79,572	54.97%

### Lending in Assessment Area

FNB's lending in their assessment area meets the standards for satisfactory performance. This conclusion is based on the sample of 60 consumer, residential real estate and commercial loans, as depicted in the following table:

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$	%	#	%	\$	%
Consumer	16	80.00	187,939	80.34	4	20.00	45,993	19.66
Residential Real Estate	17	85.00	1,518,621	86.00	3	15.00	247,200	14.00
Commercial	13	65.00	945,115	67.09	7	35.00	463,712	32.91
Total Reviewed	46	76.67	2,651,675	77.79	14	23.33	756,905	22.21

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

FNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes.

The following tables represent a reasonable distribution of lending based on the random sample of 16 consumer loans, 17 residential real estate loans and 13 commercial loans extended within the assessment area.

CONSUMER								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	23.80		17.10		17.60		41.50	
SAMPLE LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	12.50	5.83	31.25	23.60	25.00	4.96	31.25	65.60

The number and amount of consumer loans extended to low- and moderate-income households compares favorably to the percentages of those households represented in the assessment area.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	21.30		18.60		19.90		40.10	
SAMPLE LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	17.65	10.48	35.29	38.07	47.06	51.45

The number and amount of real estate loans extended to low- and moderate-income families compares reasonably to the percentages of those families represented in the assessment area. The low number and amount of low-income borrowers in which the bank has extended residential loans, can be attributed to the fact that lower income individuals have less resources to enable them to purchase residential real estate. Additionally, the low level could be attributed to the bank being new and individuals being unfamiliar with the bank.

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	80.36	5.92
% of Bank Loans in AA #	76.92	23.08
% of Bank Loans in AA \$	47.37	52.63

\*13.72 percent of Businesses did not report revenues.

The level of commercial loans revealed that a majority of loans were extended to small businesses with annual gross revenues of less than \$1 million per year.

## Geographic Distribution of Loans



The distribution of loans meets the standard for satisfactory performance. The dollar volume and number of loans extended in the various income tracts is representative of the percentage of the population that those tracts represent. This conclusion is based on the analysis of consumer, residential real estate and commercial loans extended within the assessment area, as depicted in the following tables.

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	0		30.54		42.66		26.80	
SAMPLE LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	6.25	3.08	62.50	83.18	31.25	13.74

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	0		27.44		43.59		28.97	
SAMPLE LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	17.65	11.07	29.41	37.70	52.94	51.23

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	0		47.40		34.22		18.38	
SAMPLE LOANS	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	0	0	15.38	13.46	46.15	26.83	38.46	59.71

The lack of a high volume of loans in the moderate-income tracts can be explained by the fact that some of the moderate-income tracts are in areas with lower populations and less housing units. There are also sections of the moderate-income tracts that consist of the older business buildings and vacant land. Additionally, one of the moderate-income tracts is one of the largest tracts in the assessment area, the furthest from the bank and is serviced by another financial institution.

### Responses to Complaints

There have been no consumer complaints regarding the bank's CRA performance during the evaluation period.

## **Fair Lending Review**

An analysis of 2001 - 2002 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. The bank has a good history of complying with anti-discrimination laws. Based on analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.