



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

July 15, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Southwest National Bank
Charter Number 8727**

**720 East Main Street
Weatherford, OK 73096**

**Comptroller of the Currency
Kyle M. Jones,
Assistant Deputy Comptroller – Oklahoma City Field Office
The Harvey Parkway Building, Suite 490, 301 NW 63rd Street,
Oklahoma City, Oklahoma 73116**

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

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

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

A Satisfactory rating is appropriate based on the bank's demonstrated ability to meet the credit needs of the community. Specifically:

- A majority of the bank's loans are made within the assessment area.
- The bank's loan to deposit ratio is reasonable when compared to banks of similar size and characteristics in the trade area.
- The bank meets the standard for satisfactory performance for lending to borrowers of different incomes and business of different sizes.
- The bank has not received any consumer complaints regarding CRA performance.

Southwest National Bank, located in Weatherford, Oklahoma is committed to serving the community and demonstrates satisfactory lending performance.

DESCRIPTION OF THE INSTITUTION

Southwest National Bank (SWNB) is a community bank located in Weatherford, Oklahoma. SWNB, a subsidiary of First Farm Credit Corporation, has sufficient resources devoted to meeting community credit needs. SWNB's main office and automatic teller machine (ATM) are located at 720 East Main Street, Weatherford, Oklahoma 73096. A branch facility is located at 400 North Main, Custer City, Oklahoma. Management and the Board's primary focus is to serve commercial, agricultural, and consumer customers in the Weatherford and Custer City communities. The bank meets customer's needs by providing traditional loan and deposit products.

As of March 31, 2002, SWNB had total assets of \$41 million, of which \$20 million, or 49 percent of total assets, were composed of various types of loans to individuals, commercial businesses, and agricultural related enterprises. Specifically, the bank's loan portfolio consisted of the following:

Loan Category	\$ (000)	%
Real Estate Loans	7,214	36.52
Commercial Loans	4,597	23.27
Agricultural Loans	3,187	16.13
Consumer Loans	4,747	24.03
Other Loans	9	.05
Total	19,754	100.00

The bank received an overall rating of **Satisfactory** at the last Community Reinvestment Act examination dated February 12, 1998. There are no legal or financial impediments to prevent the bank from meeting the credit needs of the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) meets the requirements of the regulation and does not arbitrarily exclude low or moderate-income areas. The assessment area is designated as the three census tracts surrounding the bank's facilities in both Weatherford and Custer City, Oklahoma. All census tracts are located within Custer County, Oklahoma and are those numbered 9602, 9606, and 9607. The total population of the assessment areas approximates 13,000 with 1,400 (or 11 percent), being minority. The largest minority population in the assessment area is Native American individuals and families at 571 people, (or 4 percent) of the total population.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
Population	
Number of Families	3,047
Number of Households	4,689
Geographies	
Number of Census Tracts/BNA	3
% Low-Income Census Tracts/BNA	0.00%
% Moderate-Income Census Tracts/BNA	0.00%
% Middle-Income Census Tracts/BNA	66.66%
% Upper-Income Census Tracts/BNA	33.33%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$34,200
Economic Indicators	
Unemployment Rate	3.09%
1990 Median Housing Value	\$54,370
% Of Households Below Poverty Level	23.67%

Note: The latest census data available was 1990.

Although there are no low- or moderate-income census tracts in the designated assessment area, there are low- and moderate-income families living within its boundaries. Of the 3,047 families in the assessment area, 16.57 percent are low-income families, 10.77 percent are moderate-income families, 17.72 percent are middle-income families, and 54.94 percent are upper-income families. The median housing value is \$54,370 with the median age of housing stock at 32 years.

The economy is centered in education, manufacturing, and farming. Major employers in Weatherford are Southwestern Oklahoma State University (SWOSU), a local university with a student enrollment of 5,000, Imation Enterprises, a manufacturer of computer peripherals, and the Weatherford Public School District. Major employers for Custer City include Southwest National Bank and the Farmer's Co-op.

A community contact was recently made in the bank's assessment area to help ascertain the credit needs of the assessment area. According to the contact, the immediate credit needs of the community are being fulfilled. He felt the banks were doing as much as they could to support credit and business development needs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Consistent with available resources and capabilities, the bank is considered **satisfactory** in meeting the credit needs of the entire assessment area.

LOAN-TO-DEPOSIT RATIO

The loan-to-deposit (LTD) ratio is satisfactory. This determination is based on the bank's quarterly average loan to deposit ratio of 53 percent. The average LTD ratio was computed from the last CRA exam and encompassed 17-quarters of data from March 31, 1998 through March 31, 2002. The seventeen-quarter average for SWNB was 53.32%. The actual ratio at March 31, 2002 was 55 percent. The average loan-to-deposit ratio for the 32 banks in Beckham, Blaine, Caddo, Custer, Ellis, Roger Mills, and Washita counties at March 31, 2002 was 60 percent, with actual LTD ratios ranging from 35 percent to 93 percent. The bank's loan-to-deposit ratio is seasonal. The LTD ratio traditionally peaks in November through April due to agricultural lending needs for livestock and crops.

LENDING IN THE ASSESSMENT AREA

SWNB's lending in their assessment area meets the standards for satisfactory performance. The table below and external analysis reflects a majority of the loans are originated in the bank's defined assessment area.

TOTAL LOANS REVIEWED: 70								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Real Estate	13	65	454	68	7	35	214	32
Consumer	18	60	144	70	12	40	62	30
Business	8	40	446	50	12	60	449	50
Total Reviewed	39		1,044		31		725	
Average in AA		55		63		45		37

Business loans made within the assessment area are slightly below 50 percent. This is primarily due to the lack of business loan opportunities in the Custer City community and the competitive banking environment in the Weatherford market. Currently, Weatherford has seven banking institutions in a community of 10,000 people. In addition, loans are being made in the census tracts and communities immediately adjacent to the bank's defined assessment area. At this time, management does not want to enlarge the assessment area to incorporate these additional census tracts.

**LENDING TO BORROWERS OF DIFFERENT INCOMES
AND TO BUSINESSES OF DIFFERENT SIZES**

SWNB meets the standard for satisfactory performance for lending to borrowers of different incomes and businesses of different sizes. The following tables represent a favorable distribution of lending based on the sample of 20 residential real estate loans, 30 consumer loans and 20 commercial/agricultural loans.

RESIDENTIAL REAL ESTATE

Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	16.6		10.8		17.7		54.9	
Disbursements by Income Category	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	15.39	3.93	15.38	6.68	15.38	16.28	53.85	73.11

Note: The table is based on 1990 census data. The information in the top part of the table reflects the breakdown of the census tracts into different income categories. The bottom half of the chart reflects the bank's distribution of residential real estate loans within those income categories.

The number and amount of residential real estate loans extended to low-and moderate-income families compares satisfactorily to the percentage of those families represented in the assessment area.

CONSUMER

Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	24.7		11.4		13.3		50.6	
Disbursements by Income Category	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	38.89	34.44	27.78	34.86	5.55	7.52	27.78	23.18

Note: The table is based on 1990 census data. The information in the top part of the table reflects the breakdown of the census tracts into different income categories. The bottom half of the chart reflects the bank's distribution of consumer loans within those income categories.

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

BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES

Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses**	89.75	5.26
% of Bank Loans in AA #	87.50	12.50
% of Bank Loans in AA \$	53.35	46.65

Note: **4.99 percent of the businesses did not report revenues

The sample of commercial/agricultural loans revealed that all but one was extended to small businesses with annual gross revenues of \$1 million or less.

GEOGRAPHIC DISTRIBUTION OF LOANS

An analysis of geographic distribution of loans would not be meaningful since there are no low or moderate-income census tracts in the assessment area.

RESPONSES TO COMPLAINTS

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

FAIR LENDING REVIEW

An analysis of 1997 - 2001 public comments and consumer complaints 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 an analysis of the applicable information, the OCC determined a comprehensive fair lending examination would not need to be conducted in conjunction with the CRA evaluation. The last comprehensive fair lending exam was performed in 1998.