

PUBLIC DISCLOSURE

January 8, 1996

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

**THE BANK OF GARBER
10-40-1380**

**323 MAIN STREET
GARBER, OKLAHOMA 73738**

Federal Reserve Bank of Kansas City

**925 Grand Avenue
Kansas City, Missouri 64198**

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 Community Reinvestment Act (CRA) performance of The Bank of Garber, Garber, Oklahoma, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of January 8, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part xxx.

INSTITUTION'S CRA RATING: This institution is rated needs to improve record of meeting community credit needs.

The bank needs to improve its record of helping to meet the credit needs of its entire assessment area, including moderate-income neighborhoods. The bank's loan-to-deposit ratio is not reasonable given the demand for credit in the area and the capacity of the bank to make prudent loans. The previous four quarter average loan-to-deposit ratio is 15.16 percent. Other financial institutions in the area average approximately between 45.00 and 55.00 percent loan-to-deposit ratio. The bank's low level of lending is consistent with its very conservative lending practices but indicates a need to improve its responsiveness to credit needs in its assessment area.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	Bank of Garber 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 bank has the ability to meet the credit needs of its defined assessment area based on its size, financial condition, and resources. According to the bank's December 31, 1995 Consolidated Reports of Condition and Income (ACall Report®), the bank's assets totaled \$4,815M, of which loans constituted \$606M or 13 percent. As depicted below in the loan distribution table, the bank is primarily an agricultural lender; however, the bank does offer other loan products to help meet the credit needs of its entire assessment area. The types of credit products offered by the bank, as listed in the bank's public file, include all-purpose consumer loans, home purchase and refinance loans, and loans to finance agriculture and businesses of all sizes.

The bank's December 31, 1995 Call Report reflected the following loan distribution:

<u>Loan Type</u>	<u>(\$000s) Amount</u>	<u>Percent of Total</u>
1-4 Family real estate	84	13.86
Secured by farmland or for agricultural purposes	56	9.24
Commercial	69	
11.39		
Consumer	153	25.25
Agricultural	<u>244</u>	<u>40.26</u>
Total	<u>606</u>	<u>100.00</u>

The Bank of Garber has one location on Main Street. Its location and credit services are readily accessible to the entire community. The bank offers extended hours on Friday, but is not open on Saturday.

DESCRIPTION OF THE GARBER ASSESSMENT AREA

Garber is a small community of 950 residents located in the eastern region of the Enid Metropolitan Statistical Area (AMSA). In accordance with the requirements of the revised CRA, the bank's assessment area has been defined to include three census tracts located to the north, south, and east of the city of Enid in Garfield County. Bank management based the assessment area on the bank's geographic location, socioeconomic information, size, and competitive position of the bank. Given the size of the bank and its proximity to other financial institutions, the bank's assessment area meets regulatory criteria.

The three census tracts, numbers 9.00, 11.00, and 12.00, have been defined as middle income areas. There are no identifiable low- or moderate-income geographies in the bank's assessment area. However, low- and moderate-income households are found scattered throughout the community. According to the 1990 census data, the population of the Garber assessment area is 8,933, of which 97.3 percent is white, 2.0 percent is American Indian, 0.5 percent is Hispanic, 0.1 percent is Asian, and the remaining 0.1 percent is other minority populations.

The median family income for the Garber assessment area is \$27,212, compared to the median family income for the Enid MSA and the state of Oklahoma at \$28,220 and \$28,554, respectively. The 1990 census data shows that within the assessment area, 17.7 percent are low-income families, 21.5 percent are moderate-income families, 22.9 percent are middle-income families, and 37.9 percent are upper-income families. Within the assessment area, 12.5 percent of families are below the poverty level.

Regional Employment and Income Series data from 1993 for all of Garfield County shows retail trade, government, transportation and utilities, and mining as the major industries. According to community contacts, the main sources of income in the assessment area are agriculture and oil. The 1990 employment data from the U.S. Census indicates the unemployment rate for the assessment area is 3.3 percent, compared to the Enid MSA unemployment rate of 6.0 percent and the state of Oklahoma's unemployment rate of 6.7 percent.

Community contacts agree that the Bank of Garber is a conservative lender, and other financial institutions in surrounding communities are helping to meet the community credit needs. It was reported that the bank is widely known to have very strict underwriting criteria and therefore, area borrowers request loans from financial institutions outside of Garber. Bank management is aware of their image in the community, but is reluctant to adjust its underwriting policies or strongly

market loan products to improve the community ⇒ perception of the bank.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Several factors were considered in evaluating the bank's CRA performance. A review of the bank's level of lending in relation to its deposits and other comparable financial institutions was reviewed. Penetration of loan originations within and outside the bank's defined assessment area was also evaluated. Furthermore, the bank's level of lending to borrowers of different incomes and to businesses and farms of different sizes was scrutinized. Finally, the distribution of loan originations within the bank's assessment area was evaluated. The bank has not received a complaint since the last examination; therefore, an evaluation of the institution's response to substantiated complaints about its performance in meeting assessment area credit needs was not conducted.

Bank of Garber's average loan-to-deposit ratio (calculated using the four quarters beginning 3/31/95) of 15.16 percent is significantly lower than the bank's peer group and other comparable area financial institutions. The loan-to-deposit ratio for the bank's peer group as of 6/30/95 was 54.81 percent. The bank's peer group consists of all insured commercial banks having assets less than or equal to \$10 million and located in a metropolitan area. An analysis of two neighboring banks with slightly greater size and resources demonstrated loan-to-deposit ratios ranging from 43 to 55 percent, over the same time period. The bank's low loan-to-deposit ratio is a reflection of the owners' extremely conservative lending philosophy. Bank management generally only makes loans to long-time, well-established customers. The bank's loan-to-deposit ratio is less than satisfactory given management philosophy, the institution's size, financial condition, and assessment area credit needs.

The bank's very low loan-to-deposit ratio effects the other measures of CRA performance. Although the bank has attained a satisfactory record of lending to borrowers of different incomes and businesses of different sizes, as well as attaining an acceptable geographic distribution of that lending. The record is distorted due to the low level of lending. The bank makes very few loans within its assessment area and is not helping to meet the effective demands for credit which exist within the community.

The examination noted that a majority of bank's lending occurs inside its assessment area. The table below demonstrates, by general product type, the number and percentage of loans located within the bank's assessment area as noted during the review.

LOANS INSIDE AND OUTSIDE THE ASSESSMENT AREA

Loan Type	Sample Size	Inside Number	Inside Percent	Outside Number	Outside Percent
Installment	50	44	88	6	
Single Payment	11	9	82	2	
Agriculture	10	10	100	0	
Commercial	3	3	100	0	
Real Estate	2	2	100	0	
TOTAL	76	68	89	8	

Furthermore, a total of 76 loans were reviewed to analyze the bank’s performance of lending to borrowers of different incomes and to businesses of different sizes. However, because the information for borrower income or business revenue was only available for 15 loans, the analysis was supplemented using loan amount as a proxy for income. The bank has extended a significant number of small dollar loans to area residents. Using this proxy, the distribution of borrowers reflects a reasonable penetration of loans among individuals of different income levels and businesses and farms of different sizes.

Finally, the geographic distribution of loans originated by the bank reflects reasonable dispersion throughout the bank’s assessment area. A review of the bank’s loans indicated 66 loans in census tract 11.00, which includes the town of Garber; 1 loan in census tract 9.00; and 1 loan in census tract 12.00, which includes Covington. Based on the limited number of loans made by the Bank of Garber, and because the surrounding communities have financial institutions actively lending in tracts 9.00 and 12.00 the distribution appears reasonable.

No substantive violations of the antidiscrimination laws and regulations were identified. Furthermore, reviews of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants.