



PUBLIC DISCLOSURE

November 26, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**SPIRITBANK
RSSD# 142955**

**9618 SOUTH MEMORIAL
TULSA, OKLAHOMA 74133**

**Federal Reserve Bank of Kansas City
925 Grand Boulevard
Kansas City, Missouri 64198**

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.

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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 the 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 SpiritBank in Tulsa, Oklahoma, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of November 26, 2001. The agency evaluates the bank's performance in each assessment area, as each is delineated by the institution, rather than the performance of individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

Definitions for many of the terms used in this performance evaluation can be found in Section 228.12 of Regulation BB. For additional convenience, a "Glossary of Common CRA Terms" is attached at the end of this performance evaluation.

INSTITUTION'S CRA RATING: *This institution is rated "Outstanding"*

An institution in this group has an outstanding record of, and is a leader in, helping to meet the credit needs of its entire assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

SpiritBank's lending activities reflect a strong responsiveness to the credit needs of its three designated assessment areas, which consist of part of the Tulsa Metropolitan Statistical Area (MSA), part of the Oklahoma City MSA, and two counties located between the two MSA's. A substantial majority of SpiritBank's loans are originated within the three combined assessment areas. The bank's distribution of loans reflects an excellent penetration throughout assessment area geographies, to businesses and farms of all revenue sizes, and to borrowers of all income levels. Furthermore, in comparison to other financial institutions operating in the three assessment areas, the bank is among the market leaders for small business and small farm lending. In addition, SpiritBank is engaged in a significant number of qualified community development lending activities, investments, and services that benefit low- and moderate-income individuals, families, and areas.

Table 1 indicates the performance level of SpiritBank with respect to the lending, investment, and service tests.

Table 1 SPIRITBANK			
Performance Levels	PERFORMANCE TESTS		
	Lending Test	Investment Test	Service Test
Outstanding	X	X	X
High Satisfactory			
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

SCOPE OF THE EXAMINATION

The evaluation of the institution's CRA performance was conducted as of November 26, 2001, using the lending, investment, and service tests for large banks for the first time. Prior CRA evaluations were conducted using procedures designed for small banks. The analysis used small business and small farm loan data reported under CRA requirements during the year 2000 and from January 1, 2001 through August 31, 2001. Data from Home Mortgage Disclosure Act (HMDA) loans reported during the same time period was also used. The data covered the time period since the prior examination by the Office of the Comptroller of Currency (OCC) on November 29, 1999. The OCC rated SpiritBank "Outstanding" in its CRA performance.

SpiritBank defined three assessment areas that together comprise an area extending from central Oklahoma to the northeastern part of the state. Each of the three areas has unique economic and demographic structures, and an in-depth evaluation was conducted for all three areas. Two of the areas are comprised of portions of the Tulsa and the Oklahoma City MSAs. The third assessment area is more rural in nature, and is located between the two MSA's. It includes the largest campus of Oklahoma State University (OSU), located in Stillwater.

The CRA evaluation includes a comparison between SpiritBank and other commercial banks operating in the same market areas. The comparison uses market share data generated by the Federal Financial Institutions Examination Council (FFIEC) for all HMDA and CRA data reporters in the bank's assessment areas.

OVERALL DESCRIPTION OF THE ASSESSMENT AREAS

The three combined assessment areas are comprised of 415 census tracts and Block Numbering Areas (BNAs). Forty percent of the state's population and housing units, 47 percent of the state's businesses, and 16 percent of the state's farms are contained within the combined assessment areas. The Tulsa assessment area is comprised of Tulsa and Creek Counties in the central and western portions of the Tulsa MSA, and includes 9 of the bank's 13 offices. The Oklahoma City assessment area, where one branch is located, is comprised of Oklahoma County. The nonmetropolitan assessment area has three offices and is comprised of Payne County where OSU is located, and Lincoln County.

DESCRIPTION OF INSTITUTION

SpiritBank is headquartered in Tulsa, Oklahoma, a community with a 2000 population of 393,049 located in the northeastern quadrant of the state. The bank is wholly-owned by Spirit Bankcorp, Inc., a one-bank holding company, and became a member of the Federal Reserve System on June 1, 2000. SpiritBank had total assets of \$423.2 million as of June 30, 2001, with no financial or legal impediments that might affect the institution's ability to meet the credit needs of its assessment areas.

SpiritBank has experienced significant asset growth since the prior examination, with a growth rate of 38 percent. The growth has been fueled by expansion of the bank's loan portfolio, which experienced a 44 percent increase during the same period. In addition, deposits grew by 34 percent.

The bank's branch structure consists of the main office at 4815 South Harvard in Tulsa, ten additional full-service branches, a loan processing office, and a drive-through facility. Three of the full-service branches are located in Tulsa, where over 64 percent of the bank's lending activity and 74 percent of its deposit activity occurs. One full-service branch and a drive-through facility are in Sapulpa; a loan processing office is in Stillwater; and the remainder of the full-service branches are located in Bristow, Drumright, Oilton, Depew, Cushing, Stroud, and Oklahoma City. The towns are grouped along the corridor formed by Interstate Highway 44 connecting Oklahoma's two largest metropolitan areas, Tulsa and Oklahoma City. Since the prior examination, the loan production office in Oklahoma City has become a full-service branch and has relocated.

Competition for financial services in all three assessment areas is strong, and is primarily from other regional banking organizations ranging in size from \$304 million to \$4.7 billion. Data from the June 30, 2000 Consolidated Reports of Condition and Income (Call Report) indicated that SpiritBank ranked twelfth in deposit shares among 87 Federal Deposit Insurance Corporation (FDIC) insured banks in the Tulsa MSA, where most of its activity occurs.

SpiritBank is a full-service banking institution offering a wide range of retail and commercial banking services to meet the credit needs of its assessment areas. The types of credit offered by the bank include commercial, Small Business Administration (SBA), residential real estate, agricultural and consumer loans. The bank also sells conventional fixed-rate, Federal Housing Administration (FHA), and Veterans Administration (VA) real estate loans on the secondary market. The bank has seven full-service automated teller machine (ATM) locations and one cash-dispensing only ATM located throughout its assessment areas.

According to the June 30, 2001 Call Report, net loans constituted \$290,472M or 69 percent of total assets. SpiritBank is predominantly a commercial lender, as reflected in Table 2 illustrating the composition of the bank's loan portfolio as of that date.

TABLE 2 SPIRITBANK LOAN PORTFOLIO		
Loan Type	Amount (\$000)	Percent of Total
Commercial	170,379	59
Multiple and 1- to 4-Family Real Estate	73,076	25
Consumer	32,819	11
Other	9,988	3
Farmland or Agricultural	6,081	2
Less: Unearned Income & All Reserves	1,871	<1
TOTAL	290,472	100

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Evaluation of SpiritBank's CRA performance under the Lending Test involved analysis of the following factors: concentration of loans within the assessment area; the geographic distribution of loans; the distribution of loans based on borrower income and size of farms and businesses; responsiveness to the credit needs of economically disadvantaged geographies and borrowers; and product innovativeness and flexibility.

Conclusions

- SpiritBank's performance under the lending test was rated "Outstanding."
- Lending levels reflected an excellent responsiveness to the credit needs of its assessment areas.
- A significant majority of the bank's loans were made within the assessment areas.
- SpiritBank had a strong record of serving the credit needs of low- and moderate-income borrowers, small businesses, and small farms.
- The distribution of loans reflected excellent penetration throughout the assessment area geographies, including low- and moderate-income areas, in consideration of relevant demographic and economic factors.
- SpiritBank's lending levels for community development loans were outstanding.

- SpiritBank made favorable use of flexible and innovative lending programs to better serve the credit needs of the assessment areas.

Assessment Area Concentration

To determine assessment area concentration, a geographic analysis was performed of the bank's reported HMDA and CRA loans. A significant majority of the bank's lending activities occurred within the boundaries of its assessment areas. The analysis was based on all HMDA loans, and small business and small farm loans reported pursuant requirements of the CRA. The sample period was between January 1, 2000 and August 31, 2001. Table 3 illustrates, by product type, the number and dollar amount of loans that were originated within the bank's assessment areas.

Table 3 TOTAL LENDING WITHIN SPIRITBANK'S ASSESSMENT AREAS						
Products	Total Originations		Within the Assessment Area			
	Number	\$(000)	Number	Percent	\$(000)	Percent
Total Home	1,038	46,784	813	78	31,894	68
Home Purchase	546	31,085	378	69	19,149	62
Refinance	258	11,383	228	88	9,196	81
Home Improvement	231	3,635	205	89	3,252	90
Multifamily	3	681	2	67	297	44
Small Business	1,629	109,132	1,136	70	79,214	73
Small Farm	224	6,015	183	82	4,808	80
Grand Total	2,891	161,931	2,132	74	115,916	72

Source: Year 2000 and January 1 through August 31, 2001 HMDA and CRA reportable loans.

As shown in Table 3 above, 74 percent of the number and 72 percent of the dollar amount of the sample loans originated within the defined assessment areas. This reflects an excellent responsiveness to the assessment areas' credit needs.

Lending to Borrowers of Different Income Levels and To Farms and Businesses of Different Sizes

The analysis of the bank's overall performance in lending to borrowers of all incomes and to farms and businesses of different sizes was based on individual analyses of the three assessment areas within the performance context of each area. More emphasis was placed on SpiritBank's performance in the Tulsa MSA, since it represented over 64 percent of the bank's lending portfolio. Overall, the bank's level of lending to low- and moderate-income borrowers was strong, and exceeded the percentage of eligible borrowers within those income categories. In addition, SpiritBank's level of lending to small farms and businesses, defined as those with revenues of under \$1 million, was strong, exceeding the percentages of small farms and businesses located in the assessment areas.

Community Development Lending

SpiritBank's level of community development lending during the period since the prior examination has been satisfactory for a bank of its asset size, considering the demographics of the area and the activity of other financial institutions in the area. Community development lending is defined as loans to small businesses that promote economic development in areas targeted for revitalization, or loans to organizations that promote community development within the bank's assessment areas. Loans that have already received credit under the lending test are not eligible for credit as community development loans. Since the previous examination, the bank originated at least five qualified loans in a total amount of \$709,835, which included loans for multiple-family housing and organizations providing community services in low- and moderate-income areas. Four of the loans benefited Tulsa assessment area residents, where 9 of the 11 full-service branches are located. One loan benefited the Oklahoma City assessment area. Although no loans benefited the nonmetropolitan assessment area, it was determined that this was reasonable in consideration of SpiritBank's presence and the limited opportunities for community development lending in the area.

Innovative and Flexible Lending Practices

SpiritBank offers a number of innovative and flexible loan products in its efforts to meet the credit needs of its assessment areas. These products are available at all full-service offices, and include the following:

- Created an accounts receivable financing program for commercial borrowers involving the bank's purchase of receivables at a 2.0 percent to 3.5 percent discount.
- Originated 62 "508(b)" loans in a total amount of \$30,793 during the sampling period. These loans are high-risk, small-dollar, short-term loans in amounts between \$50 and \$600 made pursuant to Oklahoma State Statute Section 508B.
- Originated 125 SBA loans in a total amount of \$3.6 million.
- Originated 124 loans in a total amount of \$3.6 million under a new single-dispersal home equity product line that included no points or fees.
- Originated eight Farmers Home Administration (FmHA) loans in a total amount of \$610,000.
- Originated 364 FHA loans in a total amount of \$27,390M.
- Originated 52 VA loans in a total amount of \$4,645M.
- Funded approximately 30 loans to borrowers receiving closing cost/down payment assistance from various affordable housing groups.

- Provided low-interest loans to Future Farmer of America (FFA) participants from low- to moderate-income school districts for the purchase of livestock and other agricultural projects.

The bank is a leader in providing innovative and flexible loan products to meet the credit needs of all three assessment areas.

INVESTMENT TEST

To evaluate SpiritBank's performance under the Investment Test, a review was made of investment and grant activities; responsiveness to credit and community development needs of the assessment areas; and its initiatives with respect to community development.

Conclusions

- SpiritBank's performance under the investment test was rated "Outstanding."
- The bank has a high level of qualified community development investments, especially given its size, financial capacity, and opportunities within its assessment areas.
- SpiritBank has exhibited strong responsiveness to the credit needs of its assessment areas.

During the evaluation period, SpiritBank was heavily involved in community development investment activity, with a total extension of \$1.46 million, with all but \$300,000 devoted to new activity since the prior examination. The bank's performance was notable when compared to its competitors, most of which had significantly larger asset sizes. Approximately \$1 million of the bank's investment benefited a broad region of the state that included all three of the bank's assessment areas. The entire amount of the \$1 million investment is still outstanding. The remainder of the investments and contributions were distributed throughout the three assessment areas. Investments and contributions were innovative and responsive to the community's credit needs, benefiting low- and moderate-income geographies, individuals, and families, as well as small businesses and farms.

SERVICE TEST

The assessment of SpiritBank's performance under the Service Test involved a review of the accessibility of the bank's delivery systems; the impact of changes in branch locations; the reasonableness of its business hours and services in meeting the credit needs of its assessment areas; and the level of the bank's community development services.

Conclusions

- SpiritBank's performance under the service test was rated "Outstanding."

- The bank's delivery systems are accessible to essentially all portions of its assessment areas, given the performance context within which the bank operates.
- Branch openings and closings have not adversely affected the accessibility of the bank's delivery system.
- The bank provides a broad level of community development services.

Retail Banking Services

SpiritBank is a full-service bank that offers a wide array of retail and commercial services at its main office and branch locations throughout its assessment areas. Services at the locations do not vary in a way that inconveniences portions of the assessment areas, including low- and moderate-income geographies. Business hours are adequate bank-wide.

The bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems. Since the previous CRA evaluation on November 29, 1999, the loan production office in Oklahoma City has been expanded to a full-service branch. In addition, the office has relocated from an upper-income census tract to another upper-income census tract. The Stillwater loan production office has received approval from the Federal Reserve System to convert to a full-service branch office, but this has not yet occurred.

Of the 13 offices, 4 are in moderate-income tracts, 6 are in middle-income tracts, and 3 are in upper-income tracts. No branches are located in low-income geographies. However, all of the low-income census tracts in the assessment areas are located in the central business districts of the metropolitan areas and are well-served by other financial institutions located in and around the areas. SpiritBank historically has been active in the rural suburban areas that are geographically distant from the urban core. In addition, SpiritBank's high level of lending to low- and moderate-income borrowers indicates that the branch office locations do not negatively impact the bank's efforts to meet the credit needs of those borrowers.

SpiritBank's branches offer a full range of products and services, and are generally accessible to all customers. New retail services established since the prior examination include the creation of a trust department; electronic banking services that include a telephone banking system, automated clearing house (ACH) origination, and cash management systems for business customers; Internet banking available to customers either through the Internet or direct dial-in; account information sent by e-mail upon request by the customer; and the electronic submission of loan applications on the bank's Web site.

Community Development Services

SpiritBank provided a high level of community development services. Bank employees have routinely volunteered their time and financial expertise to community organizations that target low- and moderate-income individuals and geographies, small farms and businesses, and

affordable housing. In addition, bank officers and staff have served on boards of directors or loan committees of a number of community service organizations that promote economic development. Employees have conducted homebuyer education programs and provided credit counseling to low- and moderate-income individuals. Employees also have provided financial programs and other learning opportunities in low- and moderate-income schools, assisted in promoting small business and farm programs, provided oversight and financial advice to community development volunteers, and sponsored groups creating and nurturing small business opportunities.

FAIR LENDING REVIEW

SpiritBank has developed policies, procedures, and training programs designed to facilitate compliance with fair lending laws and regulations. No violations of the provisions of anti-discrimination laws were identified at this examination, and there was no evidence that the bank engaged in any prohibited lending practices.

TULSA MSA ASSESSMENT AREA

Description of the Assessment Area

The bank's Tulsa assessment area is part of the Tulsa MSA in the northeastern quadrant of the state. It is comprised of two of the five counties in the MSA, Tulsa County and Creek County, located in the central and western portions of the MSA. The bank's largest physical presence is in this assessment area, with 9 of its 11 full-service branches located within its boundaries, as well as more than 64 percent of its lending activity. SpiritBank was one of the largest lenders in Creek County, and had the second largest deposit market share, at 29 percent, of the seven FDIC insured institutions in Creek County on June 30, 2000. SpiritBank had the twenty-third largest deposit market share, at 0.6 percent, of Tulsa County's 40 FDIC insured institutions.

The Tulsa assessment area population grew at a relatively fast pace between 1990 and 2000, increasing 11.8 percent as compared to the state-wide increase of 9.7 percent. Tulsa County had one of the highest numerical population growths in the state, and ranked sixteenth in growth of all counties in the state. Creek County ranked twentieth.

A summarized illustration of the area demographics is included in Table 4.

Table 4	
Tulsa Assessment Area Characteristics	
(Based on 1990 Census Data)	
<i>Tract Summary</i>	
Total Number of Tracts	173
Number of Low-Income Tracts	11
Number of Moderate-Income Tracts	44
Number of Middle-Income Tracts	72
Number of Upper-Income Tracts	44
N/A Tracts*	2
<i>Income Summary</i>	
Median Family Income	\$35,245
Percent Low-Income Families	20.2
Percent Moderate-Income Families	17.4
Percent Middle-Income Families	21.9
Percent Upper-Income Families	40.5
<i>Unemployment Summary</i>	
Labor Force Population (Assessment Area)	288,778
<i>Miscellaneous Information</i>	
Total Population	564,256
Percentage of Families Living Below the Poverty Level	10.2
Total Housing Units	252,977
Percentage Owner-Occupied Units to Total Units	55.5
Percentage Rental Units to Total Units	38.3
Percentage Vacant Units to Total Units	11.1
*NA Tracts have no population and/or no housing units.	

Since 1990, the MSA economy has expanded, and has become one of the most diverse and wealthy economies in the state. Unemployment, personal bankruptcy, and industrial vacancy rates decreased while consumer consumption, evidenced by consumer sales rates, increased. However, recent statistics showing employment base and labor force decreases indicated that the economy had started slowing during 2000 and the first part of 2001, even before the events of September 11, 2001. Although the MSA has retained strong ties to the oil and mining industries, its largest employers in June 2001 were American Airlines and the various area schools and universities. Several local business and community development officials contacted during the CRA analysis confirmed that Tulsa's economy had been robust during the 1990's, but recently has showed signs of a slowdown.

The location of three major college campuses in Tulsa County was reflected in its demographics. Tulsa County had a relatively low concentration of families in 2000: 64.9 percent compared to 68.2 percent in the MSA as a whole and 75.2 percent in Creek County. The impact of Tulsa County's student population is also reflected in the higher volume of multiple-family rental units in Tulsa County, 36.6 percent compared to 33.1 percent for the MSA as a whole. In addition, the low-income census tracts, all but three of which are clustered around the college campuses near Tulsa's central business district, have median population ages that range from 21.8 to 26.3, compared to the median age of the Tulsa MSA, which is 37. An economic development official contacted during the CRA evaluation concurred that the impact of the student population in the areas around the Tulsa central business district has been significant.

The Tulsa assessment area had some of the most expensive housing stock in the MSA, with 14.6 percent of the specified owner-occupied housing valued over \$100,000, compared to 13.5 percent for the MSA as a whole. However, the median housing value for the assessment area was lower than that of the MSA as a whole because of Creek County's low median housing value of \$39,117, compared to \$58,768 in Tulsa County. In 1990, the area housing demand was comparable to that of the MSA, but the median age of housing was much younger, at 27 years for the assessment area and 37 years for the MSA as a whole. A government official and an area business person contacted during the CRA evaluation both stated that the area's most pressing credit need was for affordable housing.

All of the 11 low-income tracts in the Tulsa assessment area are clustered around the city's central business district in the central and north-central part of the MSA. The tracts contained a high concentration of students with 5.6 percent of the population living in group quarters, the largest of which were college dormitories, compared to 1.3 percent statewide.

LENDING TEST

SpiritBank's lending performance in the Tulsa assessment area was considered to be outstanding. The lending distribution for home mortgage, small business, small farm, and community development loans reflected a strong responsiveness to the area's credit needs. The distribution of residential real estate loans among low- and moderate-income borrowers and tracts was excellent when compared to other financial institutions reporting HMDA data for 2000. The bank's performance was especially noteworthy considering area demographics and

the financial resources of the bank. SpiritBank was an industry leader in lending to moderate-income borrowers and geographies.

The bank's distribution of lending to businesses and farms of different sizes and to tracts of various income levels was outstanding. A substantial majority, 86 percent, of SpiritBank's commercial lending was to small businesses with gross annual revenues of \$1 million or less. Furthermore, 86 percent of the small business loans were in amounts of less than \$100M, the loan size most needed by small businesses. The bank's performance in lending to small farms was even more favorable, with 100 percent of its agricultural loans going to farms with gross annual revenues of \$1 million or less. In addition, 100 percent of the agricultural loans were in amounts of under \$100M. The distribution of small business and small farm lending to geographies of different income levels was also excellent within its performance context, and when compared to other CRA data reporting financial institutions in the area. A more detailed analysis of these findings follows.

Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Sizes

Home Mortgage Loans

The distribution of HMDA loans reflected excellent penetration to customers of different income levels, including low- and moderate-income borrowers. Table 5 illustrates the bank's home mortgage originations by loan category and income level of the borrower for loans extended between January 1, 2000 and August 31, 2001.

Table 5
Percentage Distribution of HMDA Loans Reviewed*
Within the Bank's Tulsa Assessment Area By Income Level of Borrower
Area Median Family Income ** \$46,800

Income Level of Borrower	Percentage of Home Purchase Loans Reviewed	Percentage of Refinance Loans Reviewed	Percentage of Home Improvement Loans Reviewed	Total Percentage Of All HUMDA Loans Reviewed	Percentage of Families within Assessment Area ***
<i>Low (Less Than 50 Percent of Median Income)</i>	12	20	21	17	20
<i>Moderate (50 To 80 Percent Of Median Income)</i>	28	27	21	25	17
<i>Middle (80 To 120 Percent Of Median Income)</i>	27	27	23	25	22
<i>Upper (Greater Than 120 Percent Of Median Income)</i>	29	16	30	26	41

*Percentages do not include those loans made to borrowers with unknown incomes.
 **Borrower income distribution was based on the 2001 HUD-adjusted median family income for the Tulsa MSA. The HUD-adjusted median family income for 2000 was \$45,100.
 ***The percentage of families within assessment area at the various income levels is based on 1990 census data.

More than 17 percent of the bank's HMDA lending was to low-income borrowers while 20 percent of the assessment area families were in the low-income category. However, census data indicated that 10 percent of the assessment area families lived below the poverty level, reducing the percentage of borrowers with sufficient resources to qualify for a HMDA loan to 10 percent. The 17 percent level of lending compares very favorably with the 10 percent level of eligible families.

In addition, 25 percent of SpiritBank's HMDA loans during the sample period were made to moderate-income borrowers, a percentage that significantly exceeded the 17 percent figure representing the number of moderate-income families in the assessment area. SpiritBank has proactively responded to the credit needs of its moderate-income borrowers.

A comparison of SpiritBank's performance to other banks was accomplished by an analysis of FFIEC market share data submitted by all HMDA reporting institutions in the Tulsa assessment area. The analysis revealed that SpiritBank ranked thirteenth overall in HMDA lending in the area, with a market share of 1.61 percent. However, the bank ranked ninth and tenth respectively in its level of lending to low- and moderate-income borrowers. The bank performed particularly well in the home improvement category, ranking third in lending to low-income borrowers and fourth in lending to moderate-income borrowers. These figures illustrate SpiritBank's outstanding level of CRA activity within its performance context, and its position as an industry leader in meeting the credit needs of Tulsa's low- and moderate-income borrowers.

Small Business Loans

SpiritBank had an excellent record of lending to small businesses in the Tulsa assessment area. During the evaluation period, the bank originated 86 percent of its commercial loans to small businesses, or those with gross annual revenues of \$1 million or less. This is comparable to the 86 percent figure representing small businesses in the MSA reported by Dun & Bradstreet. Furthermore, 86 percent of the loans to small businesses were in amounts of \$100M or less, amounts generally required by smaller business entities.

The bank's small business lending is particularly noteworthy when compared to other CRA reporters in the Tulsa assessment area. Although SpiritBank ranked tenth overall in business lending with a market share of 4.30 percent, its small business lending rank was fifth in the area, with a market share of 7.93 percent. Only two commercial banks outranked SpiritBank, and both institutions had asset sizes significantly larger than SpiritBank.

Small Farm Loans

The bank also had an excellent penetration of loans to small farming operations with gross annual revenues of \$1 million or less, and is an industry leader in the field. All of the bank's 91 agricultural loans were made to small farms, which exceeds the percentage of small farms located in the assessment area. Ninety-six percent of the farming operations in the assessment area qualified as small farms, or farms with gross annual revenues of \$1 million or less. In addition, 99 percent of the agricultural loans were in amounts of \$100M or less, which are generally the loan sizes required by smaller farms. When compared to other CRA reporters in the assessment area, SpiritBank ranked first in agricultural lending and first in lending to small farms. This is despite the fact that the bank ranked only twenty-third of 40 FDIC insured lending institutions in Tulsa County in deposit market shares.

Distribution of Lending in Geographies of Different Income Levels

There are nine SpiritBank offices in Tulsa and Creek Counties in the Tulsa assessment area. SpiritBank operates from three branches in south and south-central Tulsa County. Two branches are in upper-income census tracts and one is in a middle-income census tract. In Creek County, four branches are located in moderate-income tracts and two are in middle-income tracts. The low-income census tracts in the Tulsa assessment area are located in and around the city's central business district in Tulsa County. Although the number of SpiritBank loans in low-income tracts was low, the bank's strong lending record to moderate-income tracts and the performance context within which it operated indicated that SpiritBank's performance was outstanding.

Home Mortgage Loans

SpiritBank's lower level of lending in the low-income census tracts is explained by the demographics of those geographies and does not detract from its overall outstanding performance. For example, the 11 low-income tracts comprised only 6 percent of the census tracts in the assessment area, and only 5 percent of the assessment area population resided

there. The number of housing units in the low-income tracts available for HMDA lending also was very low, with only 3 percent of all occupied housing units being owner-occupied. In addition, the assessment area had a higher concentration of multiple-family rental units at 36.6 percent compared to the MSA as a whole at 33.1 percent. The high vacancy and boarded-up housing rates of 24.4 percent and 6.9 percent, respectively, in the low-income tracts compared to the 11.1 percent vacancy rate and 0.9 percent boarded up rate in the MSA as a whole, indicated that few housing units were available for mortgage lending.

Another factor contributing to low loan demand in the low-income tracts was the high concentration of students. Approximately 5.6 percent of the assessment area population live in group quarters, mostly dormitories, compared to 1.3 percent statewide. In addition, 38.7 percent of the households in the low-income tracts were living below the poverty level compared to 13.1 percent in the Tulsa assessment area as a whole. These demographics indicated a low loan demand, since these segments of the population traditionally are not involved in HMDA reportable borrowing.

The bank's proximity to these areas was another factor contributing to the low level of lending. SpiritBank, with assets of \$4.21 million on June 30, 2001, has only three branches in Tulsa, and the closest branch office to a low-income tract is approximately ten miles distant. Two other institutions making loans in the low-income tracts despite low loan demand had at least one branch office located in a low-income tract and another branch office located within three miles of a low-income tract. In addition, the other institutions lending in these geographies had asset sizes of more than \$1 billion. To illustrate the point, it should be noted that the low-income census tract closest to a SpiritBank branch had only 42 owner-occupied housing units in the entire tract.

SpiritBank's record of lending to moderate-income tracts reflects its position as a leader in the field. The bank's record indicates that its lending to low- and moderate-income tracts is not diminished by the lack of loans in low-income tracts. Fifty-two percent of its HMDA lending occurred in moderate-income census tracts, even though only 20 percent of the owner-occupied housing units were located in the tracts. In addition, the moderate-income tracts comprised only 25 percent of the census tracts, and contained only 17 percent of the families in the Tulsa assessment area. The bank's performance is particularly notable in the home refinance category, with 60 percent of its refinanced home loans occurring in these geographies. Although FFIEC market share data indicated that SpiritBank ranked thirteenth overall in HMDA lending in the assessment area, it ranked third in lending to moderate-income tracts, behind two banks with asset sizes of over \$2 billion.

Small Business Loans

SpiritBank's distribution of small business loans to census tracts of different income levels was excellent. Based on local demographics, the level of loan demand in low-income geographies was low and was consistent with the bank's record of lending in those areas. One percent of SpiritBank's small business lending occurred in low-income census tracts, and Dun & Bradstreet data for 2000 reported that only 3 percent of the businesses and 2 percent of the small businesses were located in low-income geographies. Other demographic factors indicating a low loan demand in these tracts included the low number of tracts designated low-

income, the high poverty rate, and the relatively large concentration of students, a population that traditionally has had low loan demand. In addition, demographic data indicating low loan demand in the low-income census tracts included a high percentage of unemployed (5.6 percent as compared to 2.9 percent in the Tulsa assessment area) and a low percentage of the population in the labor force (43.2 percent compared to 51.2 percent in the Tulsa assessment area population as a whole). As previously discussed, SpiritBank's branch locations also limit small business loan applications from the low-income tracts.

FFIEC market share data also illustrated the lack of loan demand in the low-income tracts. While less than 1 percent of SpiritBank's small business lending occurred in these geographies, the bank still ranked eleventh overall in business lending of all CRA reporting financial institutions in the low-income tracts, with a market share of 3.05 percent.

In addition, the bank's record of business lending in moderate-income tracts shows its proactive stance in meeting the credit needs of all geographies within the assessment area. Although only 25 percent of the small businesses in the assessment area were located in the moderate-income tracts, over 40 percent of SpiritBank's small business lending occurred in these geographies.

Small Farm Loans

The geographic distribution of small farm loans reflected an excellent penetration throughout the Tulsa assessment area. According to Dun & Bradstreet data, 3 percent and 25 percent of the assessment area's small farms were located in the low-income tracts and moderate-income tracts, respectively. Although none of SpiritBank's farm loans were made in low-income census tracts, FFIEC market share data indicated that none of the CRA reporting institutions originated farm loans in that geography, which is expected since the low-income tracts are located in an MSA. However, SpiritBank ranked first in small farm lending to moderate-income tracts in the Tulsa assessment area, with a market share of 70.69 percent. Although only 22 percent of the farms in the assessment area were located in the moderate-income tracts, 75 percent of SpiritBank's small farm lending occurred in these geographies, significantly exceeding expectations. This shows SpiritBank's position as a leader in the industry in responding to the credit needs of the moderate-income geographies.

Responsiveness to Credit Needs and Product Innovation

SpiritBank has demonstrated outstanding responsiveness to assessment area credit needs by engaging in a number of innovative and flexible lending practices that benefited low- and moderate-income borrowers and small farms and businesses. In addition, the bank has participated in several federal- and state-sponsored programs that leverage funds or provide other financial assistance to low- and moderate-income individuals and small businesses and farms.

As previously discussed, SpiritBank has originated 549 FHA, VA, FmHA, and SBA loans in a total amount of \$36 million. Sixty-two short-term, small-dollar consumer loans under Oklahoma Statute 508(b) have also been originated in a total amount of \$30,793. In addition, the bank created a single-dispersal home equity loan product that includes no points or fees,

and has originated 124 of these loans in a total amount of \$3.6 million. A new product line was also developed to attract small business customers. An accounts receivable financing program involving the bank's purchase of receivables at a 2.0 percent to 3.5 percent discount has resulted in the origination of 29 loans in a total amount of \$11.9 million. Separate data on the numbers and amounts of loans for each assessment area was not available, but the products contributed to the bank's lending activity in each individual area and were therefore included in each assessment area analysis.

SpiritBank originated federally guaranteed loans under three SBA programs, all of which are targeted to small businesses that would not otherwise qualify for traditional financing. SpiritBank has used the SBA's "7(a) Loan Program" to guarantee commercial lines of credit and short-term loans. Under the SBA's "504 Loan Program," public and private partnership funds have been used to finance fixed assets. The third program in which SpiritBank participated was the "LowDocs Program." It involved a streamlined application process with reduced paperwork and a turnaround time of 36 hours for loans up to \$150,000.

The bank's SBA lending activity is particularly noteworthy, as SpiritBank has been recognized as a leader in the field. In April of 2000, the bank's small business lending officer was selected as the United States SBA District and Regional Award Winner under the SBA's Participating Lending Program for New Market Lending. She also ranked third in SBA lending of all lending officers in the state of Oklahoma during the year 2000. Her home office is in Tulsa, but she works with clients at all branches. Because of her specialized knowledge of SBA lending, she is able to offer valuable counseling and advice throughout all three assessment areas. An area business leader contacted in connection with the CRA evaluation commented on the high level of support to small businesses contributed by area banks.

Also benefiting the Tulsa assessment area specifically was SpiritBank's funding of 4 loans in a total amount of \$147,952 through the Bristow Economic Development Corporation (BEDC). The BEDC was formed to develop low-income housing units in the northeastern portion of Bristow, which is part of a moderate-income census tract, by the construction of new housing and the renovation of old housing.

In addition, SpiritBank created a no-fee checking account program for approximately 50 developmentally disabled individuals in the Tulsa area who are clients of an agency established to assist them with daily needs. Ninety-five percent of the clients are low- and moderate-income individuals receiving disability payments.

Community Development Loans

Four community development loans in a total amount of \$361M were originated in the Tulsa assessment area since the previous CRA evaluation. The projects included two loans to non-profit organizations that provided community development services to moderate-income geographies, and two loans for construction/renovation of multiple-family housing in low-income census tracts. The multiple-family housing lending was particularly notable because of the low loan demand in those tracts. Sources such as demographic data and CRA community contacts indicated that affordable housing was a critical credit need in the assessment area.

INVESTMENT TEST

SpiritBank has a high level of qualified community development investments and has exhibited strong responsiveness to the credit needs of its assessment area. The bank's \$1 million contribution to the Oklahoma MetaFund Community Development Corporation (MetaFund) benefited a larger geographic area that included the Tulsa assessment area. MetaFund is a certified Community Development Financial Institution (CDFI) and an Oklahoma non-profit 501(c)(3) corporation. Since opening for business on January 3, 2000, MetaFund has raised more than \$10 million in capital from Oklahoma banks. Its staff includes five employees, fifteen AmeriCorps VISTA¹ members, and more than a dozen "loaned" executives. MetaFund's mission statement is "to create a collaborative Oklahoma environment of financial and social capital, citizenship, and civil society, in which virtually any viable community, economic, and/or workforce development initiative can be realized." MetaFund's goal is to create non-competitive partnerships among banks, non-profit and for-profit entities, government agencies, and individuals to provide credit (loans) and investment (venture capital) for community, economic, and workforce development; to aid and promote job creation and self-employment opportunities, housing and property development/rehabilitation and maintenance; and to serve underserved populations, distressed geographies, and investment areas throughout Oklahoma.

Other qualified investments and contributions benefiting a larger geographic area that included the Tulsa assessment area were:

- A \$125 donation benefited a small business development center for Native Americans, a project funded by the United States Department of Commerce Minority Business Development Agency. The purpose of the small business center is to provide technical assistance to federally recognized Indian tribes and members of tribes to assist in the preparation of business plans, financing packages, grants, and proposals, and to procure assistance from appropriate agencies for start-up businesses.
- A \$250 contribution sponsored the annual meeting of an Oklahoma small business development group. The group is involved in the provision of technical assistance to start-up businesses by coordinating activities between Oklahoma State University, the private sector, and governmental agencies. Business center staff members counsel and train small businesses in resolving organizational, financial, marketing, and other problems.

SpiritBank made two investments specifically benefiting the Tulsa assessment area in the form of school bonds in the amounts of \$130M and \$300M. Both benefited low- and moderate-income areas and students.

¹ AmeriCorps VISTA is the domestic Peace Corps, and engages men and women between 18 and 24 years of age for full-time 10-month terms of service to economically challenged communities. They are paid a monthly stipend, and after their term of service, the AmeriCorps members receive education awards to help finance college or pay back student loans. MetaFund has been authorized to place up to 30 AmeriCorps VISTA members throughout the state of Oklahoma to promote and develop community partnerships and projects.

SERVICE TEST

SpiritBank has engaged in a number of community development services since the previous examination. The services benefited either a larger geographic area that included the Tulsa assessment area, or directly benefited the Tulsa assessment area. The following are qualified community development services under the CRA large bank evaluation criteria.

- In addition to contributing financially to MetaFund, a SpiritBank officer supervised two full-time AmeriCorps VISTA members engaged by MetaFund in the Tulsa area. The AmeriCorps members have been employed in efforts to identify unmet small business credit needs, investment needs, and low- and moderate-income housing needs. The members assisted in MetaFund's goal of financing the development and rehabilitation of distressed real estate, and then linking this investment with employment, training, and education programs. In addition, the members provided development services such as life skills courses and vocational training, continuing education, and community service work. The SpiritBank officer is involved in MetaFund activities on a daily basis, and makes a substantial contribution to achievement of MetaFund's community development goals.
- In 2001, an officer of the bank was a voting member on the loan approval committee of MetaFund, contributing his financial expertise to this community development organization.
- A bank officer has been active in a newly formed Tulsa group established to promote home ownership among low- and moderate-income individuals and families by providing services such as workshops on the residential loan application process. Volunteers from the bank teach at various seminars available to prospective low- and moderate-income homebuyers. The seminars have been designed to advise on financial matters including the availability of affordable housing programs and financial services.
- In association with small business organizations in Bristow, which is located in a moderate-income geography, a loan officer conducted a forum on financial opportunities for start-up businesses.
- Loan officers and other bank employees volunteered as Small Business Ambassadors for local business development organizations in Drumright, Sapulpa, and Bristow. Ambassadors offer advice on issues such as obtaining financing, the availability of assistance programs for small businesses, and the formulation of business plans and budgets.
- A bank officer is on the board of directors of an industrial development authority in Bristow. The authority's goal is to stabilize business in Bristow, facilitate the sale of industrial properties, assist with local small business expansion plans, and provide advice on tax-free financing programs for new business relocation. Bristow is located in a moderate-income tract.

- A bank officer has been on the board of directors and has served as treasurer of an industrial authority in Drumright. The group was formed to enhance business and industrial opportunities in a moderate-income geography.
- Several SpiritBank employees volunteer their time to a business organization with student members at several high schools serving low- and moderate-income students. The non-profit organization was formed for the purpose of educating and inspiring young people to value the American economic system. Bank volunteers have conducted seminars and work shops on entrepreneurial enterprises, the process of obtaining financing for start-up businesses, and the utilization of small business assistance programs.
- Bank employees conducted classes on the American banking system in high schools serving low- and moderate-income students.
- A bank officer sponsored and taught career workshops for high school students in districts serving low- and moderate-income populations. Instruction was provided on how to manage personal and business finances, maintain bookkeeping systems, and work within a budget.
- A SpiritBank officer served as treasurer on the board of directors of an educational foundation in Bristow. The entity provides scholarships to Bristow students in an area serving low- and moderate-income students.
- Loan officers provided financial consultation and assistance in the loan application process to members of student-based agricultural organizations at schools serving low- and moderate-income students.
- In association with a Native American small business organization, a SpiritBank loan officer presented a training session in October of 2000 on how to develop a small business, obtain financing, and formulate a business plan.
- In 10 Tulsa assessment area school districts serving low- and moderate-income students, the bank sponsored participation in a national program designed to teach students in grades four through six the basic principles of personal finance, and to help them practice the skills they have learned by establishing and participating in a school-based banking program.
- A SpiritBank officer serves on the board of directors of a central Oklahoma business and job development corporation. The corporation is an Oklahoma Certified Business Incubator and is located in a moderate-income tract in Drumright. As a board member, the bank officer reviews business proposals for qualification to participate in the small business incubator program that is coordinated with Central Tech, a vocational technical school with campuses in Drumright and Sapulpa. The program offers counseling on preparation of business plans, obtaining financing, and other issues that arise when starting a small business.

- Loan officers assisted low- and moderate-income borrowers in the application process for affordable housing loan assistance through a Bristow affordable housing organization. The purpose of the organization is to construct and renovate affordable housing in the northeastern portion of Bristow, which is in part of a moderate-income census tract.
- SpiritBank officers counseled and assisted homebuyers applying for down payment and closing cost assistance from a Tulsa affordable housing group. A maximum of \$3,000 in aid is available to each qualified low- and moderate-income homebuyer.
- Bank employees assisted during the account application process of approximately 50 developmentally disabled clients of a for-profit agency formed to assist low- and moderate-income, developmentally disabled individuals. The accounts are free of service charges, and are designed to help the clients live independently. Employees provide assistance during the application process, provide training in managing personal finances, and provide on-going assistance in managing the accounts.

NONMETROPOLITAN ASSESSMENT AREA

Description of the Assessment Area

Twenty-eight percent of SpiritBank's lending activity during the evaluation period occurred in the bank's nonmetropolitan assessment area. The area consists of Payne and Lincoln Counties located between the Tulsa MSA and the Oklahoma City MSA. The largest community in the area is Stillwater in Payne County, with a population in 2000 of 39,065. The OSU campus in Stillwater dominates the demographics and the economy of the city and the county.² SpiritBank has two full-service facilities in the assessment area, and both are located in middle-income geographies. One is in Cushing in Payne County and the other is in Stroud in Lincoln County, and are 15 and 25 miles from Stillwater, respectively. SpiritBank has a loan processing office in Stillwater that has obtained approval for conversion to a full-service branch, but bank management has no specific timetable to effect that change at this time.

Deposit market share data indicated that SpiritBank had a smaller presence in the nonmetropolitan assessment area than in the Tulsa assessment area. On June 30, 2000, the bank had the eighth largest deposit market share, at 4.6 percent, of the nine FDIC insured financial institutions in Lincoln County. SpiritBank ranked fifth largest of the 12 FDIC insured institutions in Payne County with a deposit market share of 6.1 percent.

The assessment area is generally middle-income, and has only one low-income tract and one moderate-income tract. Both tracts are located in Stillwater with demographics dominated by the university campus. A summary of the assessment area's overall demographics is included in Table 6 below.

² The 2000 census indicated that the median age in Stillwater was 23.9, compared to Payne County at 27.6 and Lincoln County as a whole at 37.5. In Stillwater, renter-occupied housing units comprised 58.2 percent of all occupied units, compared to 44.1 percent for Payne County and 20.0 percent for Lincoln County.

Table 6	
Nonmetropolitan Assessment Area Characteristics	
(Based on 1990 Census Data)	
<i>Tract Summary</i>	
Total Number of Tracts	21
Number of Low-Income Tracts	1
Number of Moderate-Income Tracts	1
Number of Middle-Income Tracts	9
Number of Upper-Income Tracts	10
<i>Income Summary</i>	
Median Family Income	\$28,662
Percent Low-Income Families	18.8
Percent Moderate-Income Families	15.2
Percent Middle-Income Families	18.0
Percent Upper-Income Families	48.0
<i>Unemployment Summary</i>	
Labor Force Population (Assessment Area)	42,944
<i>Miscellaneous Information</i>	
Total Population	90,723
Percentage of Families Living Below the Poverty Level	13.1
Total Housing Units	39,683
Percentage Owner-Occupied Units to Total Units	54.8
Percentage Occupied Rental Units to Total Units	36.8
Percentage Vacant Units to Total Units	12.6

Both counties rely less on farm industries for jobs than other rural areas in the state, although agriculture is an important factor in both counties. A local government official interviewed as a community contact during the CRA evaluation stated that the area's proximity to both Tulsa and Oklahoma City gives residents easy access to both job markets. Many area residents commute to one MSA or the other for employment. The area's annual job growth rates were higher than the state as a whole, with Payne County, where the university is located, experiencing the most significant growth. Payne County's job growth rate between 1998 and 1999 was 7.1 percent, compared to 3.8 percent in Lincoln County and 3.1 percent statewide, according to FDIC regional statistics.

Lincoln County's economy was less robust than the economy in Payne County, with annualized unemployment rates that were consistently high for the last five years. For example, in August 2001 Lincoln County's unemployment rate was 3.7 percent, compared to 1.2 percent in Payne County and 3.1 percent for the state overall. In addition, Lincoln County's job base decreased by 1.6 percent from 1999 to 2000, and by 1.0 percent in the first quarter of 2001.

The assessment area's total population in 2000 was 100,270, having grown 10.5 percent over the last decade, compared to a 9.7 percent population growth rate statewide. A higher concentration of students are in the area, with 5.9 percent of the total population living in

noninstitutional group quarters that are primarily college dormitories, compared to 1.3 percent statewide. For this reason, area household and age compositions differed significantly from those in the state as a whole. In 2000, 62.9 percent of the households were families, compared to 68.7 percent statewide. At the same time, 11.8 percent of the residents were over 64 years of age, compared to 13.2 percent statewide.

Also a reflection of the large student population were statistics indicating low concentrations of low-income families compared to statewide figures, but high concentrations of low-income households and households living below the poverty level.³ In 1990, the nonmetropolitan assessment area's low-income families comprised 18.8 percent of the population compared to 21.0 percent statewide. The rural assessment area's low-income households and households living below the poverty level comprised 25.9 percent and 22.5 percent respectively, while statewide figures were 24.5 percent and 17.0 percent, respectively.

Assessment area housing stock reflected the demographic dominance of OSU. In 1990, the area contained a high concentration of multiple-family housing units and rental units. The percentage of housing that consisted of occupied rental units was 36.8 percent compared to 32.2 percent statewide, and the percentage of multiple-family housing was 22.1 percent in the assessment area compared to 20.3 percent statewide. In addition, housing costs were high, with the median value of housing in the assessment area 18.8 percent higher than the statewide median. In Payne County alone, where OSU is located, the median housing value was 31.6 percent higher.

Assessment area housing demand was high, indicated by the low vacancy rate of 12.6 percent, compared to the statewide figure of 14.2 percent and the statewide rural figure of 16.5 percent. Most of the new housing development, 99.4 percent, is occurring in Payne County rather than Lincoln County. Two local government officials contacted as part of the CRA evaluation stated that housing demand in the assessment area was high.

LENDING TEST

SpiritBank's lending performance in the nonmetropolitan assessment area is considered to be outstanding. The lending distribution for home mortgage, small farm, small business, and community development loans reflects an excellent responsiveness to the area's credit needs. The bank's lending distribution among low- and moderate-income borrowers and tracts is excellent within the context of the demographics of the area. These findings are discussed in more detail in the following sections.

Lending to Borrowers of Different Income Levels and to Small Businesses and Small Farms of Different Sizes

Home Mortgage Loans

³ Families are a subset of households, and consist of households with at least two individuals related by birth, marriage, or adoption.

The distribution of mortgage loans to all borrowers reflected an excellent penetration to customers of different income levels, including low- and moderate-income borrowers. Table 7 illustrates SpiritBank's home mortgage originations by category and by income level of the borrower.

Table 7					
Percentage Distribution of HMDA Loans Reviewed*					
Within the Nonmetropolitan Assessment Area By Income Level of Borrower					
Area Median Family Income ** \$34,000					
Income Level of Borrower	Percentage of Home Purchase Loans Reviewed	Percentage of Refinance Loans Reviewed	Percentage of Home Improvement Loans Reviewed	Total Percentage of All HMDA Loans Reviewed	Percentage of Families within Assessment Area ***
<i>Low (Less Than 50 Percent of Median Income)</i>	6	3	11	6	19
<i>Moderate (50 To 80 Percent Of Median Income)</i>	15	18	24	17	15
<i>Middle (80 To 120 Percent Of Median Income)</i>	22	22	21	22	18
<i>Upper (Greater Than 120 Percent Of Median Income)</i>	57	46	42	52	48
* Percentages do not include those loans made to borrowers with unknown incomes.					
** Borrower income distribution was based on the 2001 HUD-adjusted median family income for the Rural MSA.					
*** The percentage of families within assessment area at the various income levels is based on 1990 census data.					

The bank originated 6 percent of its combined total of home purchase, home refinance, and home improvement loans to low-income borrowers. Although 19 percent of the families within the assessment area were in the low-income category, 13 percent of the families were below the poverty level and without the income to qualify for mortgage loans, which are typically higher dollar loans. This reduces the percentage of those borrowers able to obtain mortgage loans to 6 percent, comparable to SpiritBank's level of lending. In addition, 11 percent of SpiritBank's home improvement loans were made to low-income borrowers, a figure significantly higher than the 6 percent figure representing the number of eligible borrowers. This is particularly noteworthy given that 56 percent of the low-income families and 53 percent of the low-income households lived in the low-income tract, located at least 15 miles from a SpiritBank office.

Compared with other HMDA reporters in the assessment area, SpiritBank's level of lending to low-income borrowers was outstanding. Using FFIEC market share data from the year 2000, SpiritBank ranked third in HMDA lending in the assessment area overall, behind two commercial banks with assets exceeding \$1 billion and at least one office in the Stillwater area. Further demonstrating the bank's efforts to deliver financial services to all income levels, SpiritBank ranked second in lending to low-income borrowers with a market share of 10.2 percent.

SpiritBank's level of lending to moderate-income borrowers also has been high. Although only 15 percent of the families in the assessment area were moderate-income families, 17 percent

of the bank's lending was to moderate-income borrowers. In addition, 45 percent of the moderate-income families and 83 percent of the moderate-income households lived in the low- and moderate-income tracts where OSU is located, at least 15 miles from the nearest SpiritBank office.

The bank's level of lending to moderate-income borrowers is also good when compared to other assessment area HMDA reporters in the year 2000. SpiritBank ranked third in HMDA lending overall, and also ranked third in HMDA lending to moderate-income borrowers, with an 8.73 percent market share. Competitor banks ranked first and second both had assets of over \$1 billion, and had offices in Stillwater, where the largest concentrations of low- and moderate-income borrowers resided. Despite competition from larger banks, SpiritBank's pattern of lending has been inclusive of all income levels.

Small Business Loans

The bank had a strong record of lending to small businesses in the nonmetropolitan assessment area. Since commercial loans comprise almost 60 percent of SpiritBank's loan portfolio, the bank's performance in this category is particularly indicative of the effectiveness of the bank's CRA program. The bank originated 98 percent of its commercial loans to small businesses, defined as those with gross annual revenues of \$1 million or less. Furthermore, 91 percent of the loans to small businesses were in amounts of \$100M or less, which are amounts generally required by smaller business entities. These figures are even more noteworthy when it is considered that only 89 percent of the businesses in the assessment area are small businesses, according to Dunn & Bradstreet information.

FFIEC market share data for 2000 indicated that SpiritBank ranked sixth in originated loans to businesses, with a market share of 10.38 percent, but third in loans to small businesses, with a market share of 16.64 percent. In addition, the first and second ranked banks had 92 percent and 72 percent of each portfolio devoted to small business lending, compared to SpiritBank at 98 percent. SpiritBank's efforts in small business lending clearly have been effective.

Small Farm Loans

SpiritBank's performance in lending to small farms is outstanding, as all of the bank's agricultural loans during the sample period were originated to small farms. This exceeds the percentage of farms in the assessment area with gross annual revenues of \$1 million or less, which is 99 percent. In addition, 95 percent of the loans were in amounts of \$100M or less, a loan size typically needed for smaller farming operations. Market share data for all CRA reporters in the assessment area indicated that in the year 2000, SpiritBank ranked second in agricultural lending with a 21.58 percent market share, and second in lending to small farms with a 22.57 percent market share.

Distribution of Lending to Geographies of Different Income Levels

SpiritBank operates from only 2 full service branches in the nonmetropolitan assessment area, and both are located in middle-income geographies. However, the bank is an active home mortgage, small business, and small farm lender in geographies of all income levels when

considering its presence in the assessment area, its resources, and the demographics of the area.

Home Mortgage Loans

The bank's distribution of HMDA loans reflected a reasonable penetration to low- and moderate-income geographies, given the geographic distance of the bank's offices to these areas. The bank originated no loans in the low-income geography and only one loan in the moderate-income geography. However, review of data from all CRA reporters in the area revealed very low HMDA loan volume in both tracts. From all HMDA reporters in the assessment area, only 2 loans were originated in the low-income tract and only 35 loans in the moderate-income tract. SpiritBank ranked eighth in HMDA lending in the moderate-income tract. Only two of the seven financial institutions out-ranking SpiritBank were commercial banks and both had asset sizes over \$1 billion.

Other factors contributed to low loan demand in the low- and moderate-income tracts. According to the 1990 census data, less than 1 percent of the owner-occupied housing units and 6 percent of the population were located in the low-income geography. Another 1 percent of the owner-occupied housing units and 4 percent of the population were located in the moderate-income geography. As previously discussed, both tracts have high concentrations of students⁴, a group with historically low mortgage loan demand. Both tracts have high concentrations of households living below the poverty level. In the low- and moderate-income tracts, 49.4 percent and 50.3 percent of the households were living below the poverty level. These factors, combined with the geographic distance of the low- and moderate-income tracts from the bank locations, result in a performance context within which SpiritBank's lending levels are reasonable.

Small Business Loans

SpiritBank's performance in the distribution of small business loans to low- and moderate-income tracts was strong when compared to competitor banks. Less than 1 percent of SpiritBank's small business loans were originated in the low-income tract, and less than 1 percent in the moderate-income tract. Nonetheless, according to FFIEC market share data, the bank ranked third overall in the assessment area in small business lending and first in small business lending in the low-income tract with a market share of 42.86 percent. The bank also ranked third in commercial bank lending in the moderate-income tract. This is despite the geographic distance of the SpiritBank branches from the low-income tract and the low percentage of assessment area businesses in the two census tracts. Only 5 percent of the assessment area businesses were located in the low-income tract and 9 percent in the moderate-income tract. More importantly, only six loans were originated in the low-income geography, and three of those loans were originated by SpiritBank.

⁴ 65.5 percent of low-income tract residents lived in college dormitories and 93.6 percent of the occupied housing units were rentals. In the moderate-income tract, 59.6 percent of the units were rentals, compared to Payne County with 44.1 percent in rental units and Lincoln County with 20.0 in rental units. The median age in the low-income tract was 20.1 years. In the moderate-income tract, it was 22.9 years; in Payne County it was 27.6 years; and, in Lincoln County it was 37.5 years.

Small Farm Loans

Agricultural lending volume by CRA reporters was very low in the low- and moderate-income geographies. Year 2000 data from all lending institutions subject to CRA reporting requirements indicated that only one agricultural loan was made in the low-income geography, and none were made in the moderate-income geography. SpiritBank originated no loans in either tract. Given the low demand for agricultural loans in these geographies, an in-depth analysis of the demographics of small farm lending would not be meaningful and was not performed.

Responsiveness to Credit Needs and Product Innovation

SpiritBank has demonstrated outstanding responsiveness to assessment area credit needs by engaging in a number of innovative and flexible lending practices that benefited low- and moderate-income borrowers and small farms and businesses. In addition, the bank has participated in several federal- and state-sponsored programs that leverage funds or provide other financial assistance to low- and moderate-income individuals and small businesses and farms. SpiritBank's participation in these programs was discussed in detail in the Tulsa MSA assessment area analysis. For more information regarding these programs refer to page 17.

FFIEC market share data indicated that SpiritBank was ranked number one in government HMDA lending with a market share of 16.71 percent when compared to all HMDA reporters in the nonmetropolitan assessment area. This reflects the bank's willingness to use alternative lending practices in order to serve the credit needs of all borrowers.

Community Development Loans

No community development loans were originated in the nonmetropolitan assessment area since the previous CRA evaluation. However, nonmetropolitan assessment areas traditionally have had fewer opportunities for community development lending. Demographic information indicated that the majority of the development activity in the nonmetropolitan assessment occurred in Stillwater. Local government officials contacted during the CRA evaluation confirmed this information. However, because the Stillwater market is so strongly dominated by another lending institution, SpiritBank's activity in the nonmetropolitan assessment area has been limited to communities other than Stillwater. SpiritBank reported a total of 1,832 HMDA and CRA loans for the reporting year of 2000, and none were located in Stillwater. Within the context of the assessment area demographics, SpiritBank's performance was reasonable.

INVESTMENT TEST

The bank's \$1 million contribution to the MetaFund benefited a larger geographic area that included the nonmetropolitan assessment area. Other qualified investments and contributions benefiting a larger geographic area that included the nonmetropolitan assessment area were activities involving a small business development center for Native Americans and an Oklahoma small business development. These activities were detailed in the discussion of

SpiritBank's investments and contributions in the Tulsa MSA assessment area. For more information regarding these activities refer to pages 18 and 19.

In addition, SpiritBank donated to a group specifically benefiting the nonmetropolitan assessment area in the amount of \$600. The donation was in the form of equipment, office supplies, and funds for a clinic that was established in order to provide both free and subsidized medical care for the indigent.

SERVICE TEST

SpiritBank has engaged in a number of community development services since the previous examination. The services that benefited a larger geographic area that included the nonmetropolitan assessment area were discussed in the Tulsa MSA assessment area section. For more information regarding these services refer to pages 19 and 20. The services benefiting the nonmetropolitan assessment area directly include the following:

- Employees conducted classes on the American banking system in high schools serving low- and moderate-income students in the nonmetropolitan assessment area.
- A bank officer sponsored and taught career workshops for high school students in districts serving low- and moderate-income populations in the nonmetropolitan assessment area. Instruction was provided on how to manage personal and business finances, maintain bookkeeping systems, and work within a budget.
- In two nonmetropolitan assessment area school districts serving low- and moderate-income students, the bank sponsored participation in a national program designed to teach students in grades fourth through sixth basic principles of personal economics, and to help them practice the skills they have learned by participating in a school-based banking program.
- An officer at SpiritBank's Stroud office volunteers her time to a community and development program established through the Oklahoma Department of Commerce. The program was established to provide low-interest loans to attract new business to a moderate-income geography in the nonmetropolitan assessment area. The volunteer reviews financial plans and counsels new businesses in the grant application process.
- Loan officers and other bank employees volunteered in 2000 and 2001 as Small Business Ambassadors for business groups in Stroud and Cushing. Ambassadors offer advice on issues such as obtaining financing, the availability of assistance programs for small businesses, and the formulation of business plans and budgets.
- Bank employees spoke to Stroud High School home economics classes, the senior class, and other groups within the school district about investments, obtaining loans, and credit cards. The school district serves predominantly low- and moderate-income students, and Stroud is located in a moderate-income tract.

- A bank officer is the secretary of the board of directors of a medical clinic, and engages in the preparation of the annual budget. The clinic provides free and subsidized health care to low- and moderate-income individuals.

OKLAHOMA CITY ASSESSMENT AREA

Description of the Assessment Area

Ten percent of SpiritBank's lending activity during the evaluation period occurred in the bank's Oklahoma City assessment area, which consists of Oklahoma County located in the Oklahoma City MSA. The bank has one office in the assessment area, and it is located in an upper-income census tract in the northern part of the county. The office commenced operations in February 2001, and had been a loan production office prior to converting to a full-service branch. Deposit market share data indicated that on June 30, 2000, the bank had the smallest deposit market share, at 0.03 percent, of the 45 FDIC insured financial institutions in the assessment area. SpiritBank's assessment area deposits were \$2.3 million on that date.

Oklahoma County is the most populous county in the state, with a population in 2000 of 660,448. The assessment area is generally middle-income. In 1990 the median family income was 103.2 percent of the MSA median and 117.1 percent of the statewide median. The assessment area's low- and moderate-income tracts are located in and around the city's central business district in the southwestern portion of the county. A summary of the assessment area's demographics is included in Table 8 below.

Table 8	
Oklahoma City Assessment Area Characteristics	
(Based on 1990 Census Data)	
<i>Tract Summary</i>	
Total Number of Tracts	221
Number of Low-Income Tracts	21
Number of Moderate-Income Tracts	59
Number of Middle-Income Tracts	88
Number of Upper-Income Tracts	49
NA Tracts*	4
<i>Income Summary</i>	
Median Family Income	\$33,428
Percent Low-Income Families	21.0
Percent Moderate-Income Families	18.3
Percent Middle-Income Families	22.1
Percent Upper-Income Families	38.6
<i>Unemployment Summary</i>	
Labor Force Population (Assessment Area)	307,756
<i>Miscellaneous Information</i>	
Total Population	599,611
Percentage of Families Living Below the Poverty Level	11.3
Total Housing Units	279,340
Percentage Owner-Occupied Units to Total Units	52.2
Percentage Occupied Rental Units to Total Units	40.2
Percentage Vacant Units to Total Units	14.8
*NA Tracts have no population and/or housing units.	

All of the low-income tracts and most of the moderate-income tracts are clustered around Oklahoma City's central business district. The one SpiritBank branch in the Oklahoma City

MSA is located approximately 12 miles from the closest low-income tract. The low-income tracts are well-served by other financial institutions located in and around the area.

The area had decreasing unemployment rates, an increasing labor force, and rapid growth in the number of building permits over the past three years. Recent economic indicators showed a rapidly cooling economy. During the first three quarters of 2001, the unemployment rate grew from 2.6 percent to 3.4 percent, and labor force and housing permit growth stalled, according to FDIC Regional Economic Conditions data. In addition, the area's unemployment rate has been consistently higher than in the state as a whole, ranking third in volume in the state during the year 2000. Nonetheless, census data from the Bureau of Economic Analysis indicated that Oklahoma County had one of the highest income levels in the state. In 1999, the county's per capita personal income was the fifth highest of the 77 counties in the state. In addition, the 2000 median family income of \$44,100 was 112.2 percent that of the state as a whole.

The area contained a relatively small percentage of families according to census information. In 2000, 64.0 percent of the county's households were families, compared to 66.8 percent in the MSA and 68.7 percent statewide. The area also contained a larger senior population in 2000, with 12.2 percent over the age of 64 years, compared to 11.4 percent in the MSA and 13.2 percent statewide.

Assessment area housing stock had a smaller concentration of owner-occupied single-family units in 1990, with 52.2 percent of the housing owner-occupied compared to 55.6 percent MSA-wide and 58.4 percent statewide. In the year 2000, 60.4 percent of the area housing was owner-occupied compared to 64.7 percent for the MSA as a whole. In the year 2000, the occupied rental units comprised 40.2 percent of the housing units compared to 37.0 percent in the MSA and 32.2 percent statewide.

Housing was more affordable in the assessment area than in the MSA as a whole. In 1990 the area's median housing value was 91.8 percent of the MSA median housing value, and its median household income level was 102.7 percent of the MSA median household income.

LENDING TEST

The SpiritBank office in Oklahoma City has operated as a full-service branch for only six months of the evaluation period. Because FFIEC market share data was not yet available for that period of time, an analysis of the bank's performance compared to its peer banks was not performed. Nonetheless, the lending distribution for home mortgage, small farm, small business, and community development loans reflects an excellent responsiveness to the area's credit needs. The bank's distribution of loans among low- and moderate-income borrowers and tracts is good considering its limited presence in the assessment area, the bank's resources, and the demographics of the area. These findings are discussed in more detail in the following sections of the report.

Lending to Borrowers of Different Income Levels and to Small Businesses and Small Farms of Different Sizes

Home Mortgage Loans

The distribution of HMDA loans in the Oklahoma assessment area reflected an excellent penetration to customers of all income levels. Table 9 illustrates SpiritBank's home mortgage originations by category and by income level of the borrower.

Table 9					
Percentage Distribution of HMDA Loans Reviewed*					
Within the Oklahoma City Assessment Area By Income Level of Borrower					
Area Median Family Income ** \$45,400					
Income Level of Borrower	Percentage Of Home Purchase Loans Reviewed	Percentage of Refinance Loans Reviewed	Percentage of Home Improvement Loans Reviewed	Total Percentage of All HUMDA Loans Reviewed	Percentage of Families within Assessment Area ***
<i>Low (Less Than 50 Percent of Median Income)</i>	18	10	0	17	21
<i>Moderate (50 To 80 Percent Of Median Income)</i>	37	10	0	33	18
<i>Middle (80 To 120 Percent Of Median Income)</i>	20	10	0	19	22
<i>Upper (Greater Than 120 Percent Of Median Income)</i>	20	70	100	20	39
* Percentages do not include those loans made to borrowers with unknown incomes.					
** Borrower income distribution was based on the 2001 HUD-adjusted median family income for the Oklahoma City MSA.					
*** The percentage of families within assessment area at the various income levels is based on 1990 census data.					

The bank originated 17 percent of its combined total of home purchase, home refinance, and home improvement loans to low-income borrowers, while 21 percent of the families within the assessment area were in the low-income category. However, 14 percent of the families in the assessment area were below the poverty level and without the income to qualify for mortgage loans, which are typically higher dollar loans. This reduced the percentage of those borrowers able to qualify for mortgage loans to 7 percent. SpiritBank's level of lending at 17 percent substantially exceeds this figure, and demonstrates the effectiveness of the bank's efforts to meet the credit needs of all borrowers.

SpiritBank's level of lending to moderate-income borrowers was also significant, and far exceeded the proportion of moderate-income borrowers in the assessment area. Although only 18 percent of the families in the assessment area were moderate-income families, 33 percent of the bank's lending was to moderate-income borrowers. The bank's penetration to moderate-income borrowers is especially significant when considering that the bank ranked last in deposit market shares of the 45 FDIC insured banks in the assessment area. SpiritBank's efforts were outstanding and demonstrated leadership in CRA lending, despite its limited presence in the area.

Small Business Loans

The bank had a reasonable record of lending to small businesses in the Oklahoma City assessment area considering the full-service branch had been operating only six months of the evaluation period. Review of SpiritBank's trial balance revealed only 42 commercial loans with 24 different borrowers between February 1, 2001 and August 30, 2001 at the Oklahoma City office. Nonetheless, analysis of the data revealed that the bank originated 88 percent of its commercial loans to small businesses, defined as those with gross annual revenues of \$1 million or less. This figure is comparable to the percentage of small businesses in the assessment area, which is also 88 percent. Furthermore, 65 percent of the loans to small businesses were in amounts of \$100M or less, which are amounts generally required by smaller business entities.

Small Farm Loans

Although only one agricultural loan was originated in the Oklahoma City assessment area, it was to a farm with gross annual income of under \$1 million and in an amount under \$1 million. An in-depth analysis of agricultural lending would not be meaningful given the low demand for agricultural loans and the bank's limited presence in the assessment area. Dun and Bradstreet data indicated that less than 100 farms are located in the area.

Distribution of Lending to Geographies of Different Income Levels

SpiritBank has one full service branch in the Oklahoma City MSA assessment area, located in an upper-income geography in the northwestern part of the assessment area. The bank's activity in home mortgage, small business, and small farm lending in geographies of all income levels is considered reasonable, given the geographic distance of the one branch from low-income tracts and demographic factors indicating low loan demand in the moderate-income tract closest to the branch.

Home Mortgage Loans

The bank's distribution of HMDA loans reflected a reasonable penetration to all geographies, even though the bank originated no loans in the low-income tracts. Several factors contributed to a weak loan demand in the low-income tracts, such as a high poverty rate and a concentration of dilapidated housing.⁵ In addition, the only office in the assessment area is located approximately 12 miles from the closest low-income tract. Oklahoma City's central business district, where the low-income tracts are located, is well-served by other lending institutions with greater asset sizes and resources than SpiritBank. Other factors contributing to the low loan volume are the short tenure of the full-service branch's presence in Oklahoma City, and SpiritBank's very small market share of HMDA lending in the Oklahoma City assessment area. The fact that no loans were made in the low-income tracts is reasonable.

SpiritBank's lending performance in the moderate-income geographies was good. The bank originated 21 percent of its HMDA loans in the moderate-income geographies, which is

⁵ 25 percent of the families in the moderate-income tract are living below the poverty level, and unlikely to have the financial viability to qualify for HMDA loans; 21 percent of the living units are vacant; and 7 percent of the units are boarded up.

comparable to the 22 percent owner-occupied housing units in those tracts. This level of lending occurred despite geographic and demographic impediments to the bank's ability to lend in the moderate-income tracts. Although the Oklahoma City branch office is located within a mile of a moderate-income census tract,⁶ several factors indicated a low loan demand in that tract. Two universities are located in or within two miles of the tract, significantly impacting the demographics. According to the 2000 census, 57 percent of the population in the tract was between the ages of 15 and 34, compared to 30 percent in the assessment area as a whole. Furthermore, 92 percent of the occupied housing units were rental units, compared to 40 percent in the assessment area as a whole. These figures reveal that little housing is available for HMDA lending in this tract.

Two other moderate-income tracts are located approximately five miles from the branch office. Loan demand is low in these tracts as well. For example, 21 percent of the families and 18 percent of the households living in the moderate-income tracts throughout the assessment area are living below the poverty level and unlikely to qualify for mortgage loans. The vacancy rate at 18 percent, according to 1990 census information, is high when compared to the assessment area rate of 13 percent.

Despite low HMDA loan demand in the moderate-income geographies and the bank's limited presence in the Oklahoma City assessment area, 21 percent of SpiritBank's HMDA loans were located in the moderate-income tracts. This indicates good responsiveness to the credit needs of the moderate-income areas of the Oklahoma City assessment area. Further, it mitigates the overall impact of low lending levels in the low-income tracts.

Small Business Loans

SpiritBank's performance in the distribution of small business loans to low- and moderate-income tracts was reasonable, given the business demographics of the area. Although 7 percent of the small businesses in the Oklahoma assessment area were located in the low-income tracts, SpiritBank originated 3 percent of its small business loans in the low-income geographies. As previously discussed, the branch office is geographically distant from the low-income tracts, and the tracts are well-served by other financial institutions. In addition, the bank has a very limited presence in the Oklahoma MSA.

Small Farm Loans

SpiritBank reported only one agricultural loan in the Oklahoma City assessment area during the sample period, and it was located in a low-income tract. Considering the limited agricultural lending in the largest metropolitan area in the state, the fact that SpiritBank's one loan was made in a low-income tract reflects favorably on the bank's response to the credit needs of the area. Further analysis of the bank's small farm lending would not be meaningful given the low demand for agricultural loans in the area and the limited information available.

Responsiveness to Credit Needs and Product Innovation

⁶ Census tract 1083.6 is the census tract.

SpiritBank has demonstrated outstanding responsiveness to assessment area credit needs by engaging in a number of innovative and flexible lending practices that benefited low- and moderate-income borrowers and small farms and businesses. In addition, the bank has participated in several federal- and state-sponsored programs that leverage funds or provide other financial assistance to low- and moderate-income individuals and small businesses and farms. SpiritBank's participation in these programs was discussed in detail in the Tulsa MSA assessment area analysis. For more information regarding these programs refer to page 17.

SpiritBank loan officers worked with a number of affordable housing agencies in the Oklahoma City MSA assessment area that offer down-payment and closing cost assistance to low- and moderate-income home buyers. Many loan customers would not otherwise qualify for a mortgage loan.

Community Development Loans

SpiritBank originated a community development loan in the Oklahoma City assessment area, despite its limited presence in the market. The loan was in the amount of \$383,625, and was used to renovate a multiple-family apartment complex in a moderate-income tract.

INVESTMENT TEST

SpiritBank has a high level of qualified community development investments and has exhibited strong responsiveness to the credit needs of its assessment area. Qualified investments and contributions benefiting a larger geographic area that included the Oklahoma City MSA assessment area were discussed in detail in the Investment section of the Tulsa MSA assessment area on pages 18 and 19.

In addition, SpiritBank invested \$15,000 in a bond issued by the Oklahoma County Bond Authority. The proceeds from the bond will be used to provide funding for a down payment assistance program for low- and moderate-income mortgage borrowers.

SERVICE TEST

SpiritBank has engaged in a number of community development services since the previous examination. The services that benefited a larger geographic area that included the Oklahoma City MSA assessment area were discussed in the section evaluating the bank's performance in the Tulsa MSA assessment area. For more information regarding these services refer to pages 19 and 20. The services benefiting the Oklahoma City MSA assessment area include the following.

- A bank officer served as the chairman of the board of trustees for a housing authority created to assist in the financing of affordable housing in Oklahoma County. As chairman, the officer reviewed projects for financial viability.

- Bank officers counseled prospective Oklahoma City borrowers and assisted them in their applications to a program designed to increase the level of affordable home ownership opportunities for low- and moderate-income individuals. The program provides up to \$3,000 in funds.
- Bank officers provided financial counseling to applicants obtaining down payment and closing cost assistance through affordable housing agencies in Oklahoma City. The successful applicant could receive up to \$3,500 in the form of a forgivable loan, provided the buyer lives in the home for at least 5 years.
- SpiritBank officers counseled and assisted Oklahoma City borrowers applying for low-interest loans offered through a program designed to help low- and moderate-income borrowers in the form of a second mortgage.
- Loan officers assisted borrowers in applying for grants through the local government of Midwest City, a program offering down payment and closing cost assistance. The goal of the program is to revitalize distressed neighborhoods in low- and moderate-income areas.

In addition, SpiritBank is in the process of establishing a program, similar to the one in the Tulsa assessment area, to help low-income, developmentally disabled individuals. The program will involve counseling and assistance in establishing and maintaining checking and savings accounts. Ninety-five percent of the agency clients are low- and moderate-income individuals receiving disability payments. Bank employees will provide on-going training and financial advice.

APPENDIX

SCOPE OF EXAMINATION		
TIME PERIOD REVIEWED	January 1, 2000 to August 31, 2001	
FINANCIAL INSTITUTION		PRODUCTS REVIEWED
SpiritBank, Tulsa, OK (Parent holding company is Spirit Bankcorp, Inc.)		Residential Real Estate Small Business Small Farm
AFFILIATE(S)	AFFILIATE RELATIONSHIP	PRODUCTS REVIEWED
Eagle Credit Resources, Inc.	Sub of Spirit Bankcorp, Inc.	None
ANB Capital Trust 1	Sub of Spirit Bankcorp, Inc.	None
Spirit Technology & Consulting, Inc.	Sub of Spirit Bankcorp, Inc.	None
Spirit Title Company	Sub of Spirit Bankcorp, Inc.	None

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
Assessment Area	Type of Examination	Branches Visited	Other Information
Tulsa, OK MSA AA			
	Off-Site	9618 S. Memorial	
	Off-Site	4815 S. Harvard	
	Off-Site	9134 E. 46 th Street	
	On-Site	Sapulpa	
	On-Site	Sapulpa Drive-thru	
	Off-Site	Bristow	
	Off-Site	Depew	
	Off-Site	Drumright	
	Off-Site	Oilton	
Rural AA (Payne & Lincoln Counties)	Off-site	Cushing	
	Off-Site	Stroud	
	Off-Site	Stillwater	Not a branch, loan production office
Oklahoma City, OK MSA AA	Off-Site	Oklahoma City	

GLOSSARY OF COMMON CRA TERMS

(For additional information, please see the Definitions section of Regulation BB at 12 CFR 228.12.)

Assessment Area – The geographic area(s) delineated by the bank and used in evaluating the bank's record of helping to meet the credit needs of its community. The assessment area must include the geographies where the main office, branches, and deposit-taking automated tellers machines are located. The assessment area must consist only of whole geographies, may not reflect illegal discrimination, and may not arbitrarily exclude low- or moderate-income geographies.

Block Numbering Areas (BNAs) – BNAs are geographic entities similar to census tracts. Metropolitan areas are most often delineated into census tracts, while rural areas are delineated into BNAs.

Census Tracts – Census tracts are small, relatively permanent geographic entities within counties delineated by a committee of local data users. Generally, census tracts have between 2,500 and 8,000 residents and boundaries that follow visible features.

Community Development – Includes affordable housing (including multifamily rental housing) for low- and moderate-income individuals, community services targeted to low- and moderate-income individuals, activities that promote economic development by financing businesses or farms that have gross annual revenues of \$1 million or less, or activities that revitalize or stabilize low- or moderate-income geographies.

Community Development Loan – A loan that has community development as its primary purpose and (except in the case of a wholesale or limited-purpose bank).

1. Has not been reported or collected by the bank or an affiliate as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan and
2. Benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

Community Development Service – A service that has as its primary purpose community development, is related to the provision of financial services, has not been considered in the evaluation of the bank's retail banking services, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area and has not been claimed by other affiliated institutions.

Consumer Loans – Loans to individuals for household, family and other personal expenditures. These loans do not include real estate-secured loans.

Dun & Bradstreet Data – Data collected by Dun & Bradstreet regarding types of businesses and their respective gross annual revenues. The data can be sorted by geographies.

Geography – A census tract or a block numbering area.

Income Level – Both geographies and individuals can be described in terms of their income levels. In MSAs, the level is based on the MSA median income. In nonMSA areas, the level is based on the statewide, nonMSA median income.

Low-Income – Less than 50 percent of the area median income

Moderate-Income – At least 50 percent and less than 80 percent of the area median income

Middle-Income – At least 80 percent and less than 120 percent of the area median income

Upper-Income – At least 120 percent or more of the area median income

Metropolitan Statistical Area (MSA) - The general concept of an MSA is that of a core area containing a large population nucleus, together with adjacent communities having a high degree of economic and social integration with that core. Generally, a single city with at least 50,000 inhabitants or an urbanized area with a total population of at least 100,000 would meet the definition of an MSA.

Qualified Investment – A lawful investment, deposit, membership share or grant that has as its primary purpose community development.

Small Business – A business with gross annual revenues of \$1 million or less.

Small Business Loan – A loan with an original amount of \$1 million or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by nonfarm nonresidential properties” or “Commercial and industrial loans.”

Small Farm – A farm with gross annual revenues of \$1 million or less.

Small Farm Loan – A loan with an original amount of \$500,000 or less that has been reported in the Consolidated Report of Condition and Income in the category “Loans secured by farmland” or “Loans to finance agricultural production and other loans to farmers.”