PUBLIC DISCLOSURE

FEBRUARY 27, 2017

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FIRST BANK OF CHANDLER
RSSD# 151555

902 MANVEL AVENUE
CHANDLER, OKLAHOMA 74834

Federal Reserve Bank of Kansas City
1 Memorial Drive
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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INSTITUTION'S COMMUNITY INVESTMENT ACT RATING: *This institution is rated* ***Satisfactory.***

First Bank of Chandler (the bank), Chandler, Oklahoma, has a satisfactory record of meeting the credit needs of its assessment area (AA) pursuant to the Community Reinvestment Act (CRA), in a manner consistent with its resources and operating philosophy.

The bank's average net loan-to-deposit (NLTD) ratio is more than reasonable considering the characteristics of the bank, performance of local competitors, and the economic conditions and credit needs of the communities it serves. A majority of the loans subject to this review were originated inside the bank's AA. The bank's lending reflects a reasonable dispersion of loans throughout its AA, to borrowers of different income levels, and to businesses and farms of different revenue sizes.

SCOPE OF EXAMINATION

The bank's CRA performance was evaluated using the Federal Financial Institutions Examination Council's (FFIEC's) *Interagency Examination Procedures for Small Institutions*. The examination included an evaluation of the bank's lending performance with consideration given to the demographic profile of the area in which the bank operates. Four of the five criteria used to evaluate a small bank's lending performance under the CRA were relevant to this review and are as follows:

- NLTD Ratio
- Lending Inside the AA
- Distribution of Loans by Income Level of Geographies
- Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Revenue Sizes

The fifth criterion, the bank's responsiveness to complaints under the CRA, was not evaluated since the bank has not received any CRA-related complaints since the prior examination.

Conclusions regarding the four performance criteria were based on data compiled from the bank's major product lines: residential real estate, commercial, and agricultural loans. The major product lines were determined through discussions with bank management, a review of the bank's September 30, 2016 Reports of Condition and Income, and a review of the number of outstanding loan originations since the bank's prior CRA examination. In addition, conclusions regarding the bank's performance were based on a 16-quarter average of its NLTD ratio. The examination included the universe of 115 Home Mortgage Disclosure Act (HMDA) reportable loans originated from January 1, 2013 to December 31, 2015. The examination also included a statistically derived sample of 69 small farm loans from a universe of 104 loans, and 52 small business loans from a universe of 70 loans, originated between October 1, 2015 and September 30, 2016. While multiple years of HMDA data were evaluated and considered in overall conclusions, only 2015 performance with regard to the geographic and borrower distribution analyses will be presented in the main section of this report with limited discussion on prior year performance. For reference, the bank's 2013 and 2014 HMDA lending data is included in Appendix A.

For evaluative purposes, the bank's lending performance was compared with area demographic data including the U.S. Census 2006-2010 five-year estimated American Community Survey (2010 ACS) data, FFIEC's Census data, 2013 through 2015 aggregate loan originations reported by all HMDA filers within the bank's AA, and 2016 Dun & Bradstreet (D&B) data. To augment the evaluation, interviews were conducted with members of the community to obtain perspective of the local economic conditions, determine specific credit needs of the AA, and determine the responsiveness of area banks in meeting those credit needs.

DESCRIPTION OF INSTITUTION

The bank is a $90.7 million (MM) institution headquartered in Chandler, Oklahoma, located approximately 48 miles northeast of Oklahoma City and is part of the Oklahoma City Metropolitan Statistical Area (MSA). The bank is owned by First Chandler Corporation, a one-bank holding company, also located in Chandler, Oklahoma. The bank has a full-service main office and a limited-service drive-through facility, both in Chandler. Both locations have a cash dispensing automated teller machine. The bank has one affiliate, First of Chandler Agency, Chandler, Oklahoma, a subsidiary of the holding company that sells credit life insurance.

Table 1 provides a breakdown of the bank's loan portfolio by product as of September 30, 2016. The bank's gross loans represented $79.7MM or approximately 87.9 percent of total assets. Based on dollar volume, the bank is primarily a commercial, residential real estate, and agricultural lender, but offers a variety of other products to meet the credit needs of its AA.

**TABLE 1
FIRST BANK OF CHANDLER LOAN PORTFOLIO
AS OF SEPTEMBER 30, 2016**

Loan Type	Amount $(000)	Percent of Total
Commercial	38,365	48.1
Residential Real Estate	18,989	23.8
Agricultural	17,234	21.6
Consumer	5,106	6.4
Other	9	0.0
Gross Loans	**79,703**	**100.0**

(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

According to the June 30, 2016 Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report, the bank's market share of FDIC-insured deposits is 16.1 percent within its AA, which is an increase from the previous examination's 14.5 percent market share. The bank ranked third among seven FDIC-insured financial institutions with locations in Lincoln County.

Based on the bank's asset size, product offerings, and financial condition, it has the ability to meet the credit needs of its AA. In addition, the bank received a Satisfactory rating at the previous CRA evaluation performed by the Federal Reserve Bank of Kansas City on January 22, 2013.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA[1]

The bank's AA is comprised of Lincoln County in its entirety, which is part of the Oklahoma City MSA. Based on 2016 FFIEC's Census tract definitions, the AA consists of one moderate- and six middle-income census tracts. This represents a change from the previous examination where the AA contained three moderate- and four middle-income census tracts (two tracts changed from moderate- to middle-income tracts). These changes were due to the decennial census update. The bank's main office and limited-service drive-through are located in a middle-income census tract.

Population Trends and Characteristics

The population in the AA is estimated at 34,504 according to the 2010 ACS five-year population estimate. This represents a nominal increase of 0.7 percent from the 2010 U.S. Census data of 34,273. Although included in the Oklahoma City MSA, the AA is predominantly rural and the least populous of the seven counties that comprise the MSA.

The largest portion of the AA's population (51.7 percent) is between the ages of 25 and 64 years old. Census information further indicated that the median age in Lincoln County was 40.7 years old, whereas the median statewide age is 36.2 years old. The 2010 Census data showed that 73.4 percent of total households living in the AA were families, compared to 65.7 percent of households in the Oklahoma City MSA and 66.9 percent of households in the state of Oklahoma.

Income Characteristics

According to 2010 Census data, the AA's median family income (MFI) of $51,191 is lower than the MSA's MFI of $58,775. The AA has a higher percentage of low-income families at 24.3 percent compared to 21.3 percent in the MSA. Moreover, 21.1 percent of families within the AA are moderate-income, compared to 17.8 percent in the MSA.

Economic/Employment Conditions

The local economy is primarily supported by the oil and gas industry and agricultural-related businesses. According to the U.S. Department of Agriculture's 2012 Census of Agriculture, 56.1 percent of Lincoln County's farm land is used for pasture and 23.4 percent is used for

[1] Sources of economic and demographic data include 2015 FFIEC's Census data, 2016 D&B, American Fact Finder, 2012 Census of Agriculture, Oklahoma Housing Finance Agency, and Bureau of Labor and Statistics (BLS) Local Area Unemployment Statistics.

crops. Livestock sales represent 73.0 percent of the market value of products sold in the county, while crop sales comprise 27.0 percent. The top livestock sales are cattle and calves, whereas the major crop items in the area include forage-land used for all hay and haylage, grass silage, and greenchop. The number of farms operating within the AA declined by 8.0 percent between the years 2007 and 2012.

Several large employers are located in Lincoln County, such as Hiland Dairy Company, National American Insurance Company, Miller Truck Line, Acord Trucking, the National Guard, and local government. According to the Bureau of Labor Statistics data from December 2016, the unemployment rate in the AA was 4.8 percent, which is similar to the state of Oklahoma's unemployment rate of 4.6 percent.

As previously mentioned, the oil and gas industry plays an important part in the AA's economy. There are 25 natural resource and mining organizations within Lincoln County employing 293 people. Of the industries located within Lincoln County, natural resources and mining has the highest amount of annual pay ($62,882). This is considerably higher than the average annual pay of $30,084 for local government workers (employing 1,535 people), $34,098 for transportation and utility workers (employing 1,443 workers), and $49,940 for the financial sector (employing 496 workers). A member of the community stated many people in the area are directly impacted when oil and gas prices decline as personal incomes are reduced. One community member stated that the oil and gas exploration companies recently cut back in the AA. Over 100 workers were laid off in 2015 by one of the three largest oil producers in Oklahoma due to downward pressures on gas prices.

Housing Characteristics

The median housing value within the AA is $87,661, which is significantly lower than the Oklahoma MSA figure of $121,318. The housing affordability ratio[2] in the AA of 48.2 percent, compared to the Oklahoma City MSA, at 38.7 percent, shows that housing is more affordable within the AA compared to the MSA overall. The AA has a lower supply of rental units than the Oklahoma City MSA. The AA contains 15,001 housing units; of which, 67.7 percent are owner-occupied, 17.7 percent are rentals; and 14.7 percent are vacant. Comparatively, in the Oklahoma City MSA, 59.0 percent owner-occupied units; 29.8 percent are rental; and 11.2 percent are vacant. One community member indicated that rental properties are hard to find due to affordability; the median gross rent in the AA is $508 per month. While lower than the MSA average of $680 a month, the median gross rent in the moderate-income tract of the AA is more comparable at $605 ($492 in the AA's middle-income tracts). In addition, community members indicated that many available rental properties are dilapidated and in need of repairs.

According to two community members, the northwestern part of the AA (which includes one moderate-income tract) is a rural area comprised of small farms and is sparsely populated.

2 The housing affordability ratio is calculated by dividing the median household income by the median housing value. A lower ratio reflects less affordable housing.

The contacts discussed the area's challenges of limited housing supply and demand. Despite the area's limited, desirable housing stock, there has been little if any development as the area is more remote and would require residents to commute further for employment opportunities in the urban areas. One member of the community stated the residential real estate market has changed with more consumers applying online for lower rates and fees offered by larger banks or other loan companies that provide direct competition for the local banks.

Table 2 summarizes the demographic and economic characteristics of the bank's AA based on 2010 ACS data and 2016 D&B data.

TABLE 2
FIRST BANK OF CHANDLER 2016 ASSESSMENT AREA DEMOGRAPHICS

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,277	24.2
Moderate	1	14.3	1,175	12.5	143	12.2	1,982	21.1
Middle	6	85.7	8,216	87.5	851	10.4	2,189	23.3
Upper	0	0.0	0	0.0	0	0.0	2,943	31.3
Total AA	**7**	**100.0**	**9,391**	**100.0**	**994**	**10.6**	**9,391**	**100.0**

	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	0	0	0.0	0.0	0	0.0	0	0.0
Moderate	1,822	1,211	11.9	66.5	316	17.3	295	16.2
Middle	13,179	8,938	88.1	67.8	2,334	17.7	1,907	14.5
Upper	0	0	0.0	0.0	0	0.0	0	0.0
Total AA	**15,001**	**10,149**	**100.0**	**67.7**	**2,650**	**17.7**	**2,202**	**14.7**

	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	84	8.2	71	7.9	7	7.8	6	19.4
Middle	941	91.8	833	92.1	83	92.2	25	80.6
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**1,025**	**100.0**	**904**	**100.0**	**90**	**100.0**	**31**	**100.0**
Percentage of Total Businesses:				**88.2**		**8.8**		**3.0**

	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = $1 Million		Over $1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	8	11.3	8	11.4	0	0.0	0	0.0
Middle	63	88.7	62	88.6	1	100.0	0	0.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	**71**	**100.0**	**70**	**100.0**	**1**	**100.0**	**0**	**0.0**
Percentage of Total Farms:				**98.6**		**1.4**		**0.0**

Based on 2010 ACS five-year estimate data, 2016 FFIEC's census tract designations, and 2016 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's overall record of meeting the credit needs of its AA is satisfactory. A review of the bank's 16-quarter average NLTD ratio, distribution of lending within its AA, distribution of lending by income level of geographies, and distribution of lending to borrowers of different income levels and businesses and farms of different revenue sizes was conducted. The data utilized to analyze the bank's performance included its loan data, area demographic information, and information obtained from members of the community. Based on the analysis, the bank's NLTD ratio was more than reasonable when compared to the performance of local competitors and a majority of the bank's loans were extended within its AA. The bank's lending reflected reasonable penetration amongst the AA's geographies of different income levels. Furthermore, the bank's lending to borrowers of different income levels and businesses and farms of different revenue sizes is also considered reasonable.

Net Loan-to-Deposit Ratio:

This performance criterion utilizes the bank's average NLTD ratio to evaluate the bank's lending levels, its capacity to lend, the availability of lending opportunities, and the AA's demographic and economic profile. The bank's NLTD ratio reflects a more than reasonable effort to extend credit based on its size, financial condition, credit needs of the AA, and in context of the NLTD ratios of local competitors and similarly situated institutions. The bank's NLTD ratio was averaged over a 16-quarter period since the previous CRA evaluation and compared with the NLTD ratios of five similarly situated institutions. As of September 30, 2016, the bank's average NLTD ratio of 102.8 percent was higher than all five competitor banks, which ranged from 42.0 percent to 91.8 percent.

Assessment Area Concentration:

This performance criterion evaluates the bank's distribution of lending inside and outside of its AA. The evaluation analyzes both the number and dollar volume of originations. As illustrated in Table 3, a majority of the bank's HMDA-reportable residential real estate loans, small business loans, and small farms loans were originated within the bank's AA. The bank originated 80.0 percent (69.6 percent by dollar) of its HMDA-reportable loans, 65.4 percent of its small business loans (61.0 percent by dollar), and 85.5 percent of its small farm loans (92.4 percent by dollar), within the AA.

TABLE 3 LENDING INSIDE AND OUTSIDE THE BANK'S ASSESSMENT AREA								
Bank Loans	Inside				Outside			
	#	$(000)	#%	$%	#	$(000)	#%	$%
Home Purchase	44	3,500	74.6	59.1	15	2,420	25.4	40.9
Home Refinance	27	2,858	77.1	72.0	8	1,111	22.9	28.0
Home Improvement	20	1,357	100.0	100.0	0	0	0.0	0.0
Multifamily	1	375	100.0	100.0	0	0	0.0	0.0
Total HMDA-related	**92**	**8,090**	**80.0**	**69.6**	**23**	**3,531**	**20.0**	**30.4**
Small Business	**34**	**4,131**	**65.4**	**61.0**	**18**	**2,640**	**34.6**	**39.0**
Small Farm	**59**	**3,590**	**85.5**	**92.4**	**10**	**296**	**14.5**	**7.6**
TOTAL LOANS	**185**	**15,811**	**78.4**	**71.0**	**51**	**6,467**	**21.6**	**29.0**

The remaining conclusions are based solely on the loans originated inside the AA.

Distribution by Income Level of Geographies:

This performance criterion evaluates the bank's distribution of loans among geographies of different income levels (geographic distribution). Overall, the geographic distribution of lending reflected a reasonable penetration among different income levels of geographies. The bank's HMDA lending activity was compared to the percentage of owner-occupied units in each census tract income level. The bank's small business and small farm lending activity was compared to the percentage of businesses and farms located in each census tract level. The evaluation reviewed both the number of loans originated and dollar volume.

Since the bank does not have any low-income tracts in its AA, this evaluation places more weight on the bank's level of lending to the one moderate-income tract in the AA. As noted in Table 4, overall volume of HMDA loans are limited; with no multifamily housing units originated by the bank or the aggregate lenders in the AA. Therefore, multifamily loans were not subject to further review within the remainder of the analysis.

TABLE 4
DISTRIBUTION OF 2015 HOME MORTGAGE DISCLOSURE ACT LOANS
BY INCOME LEVEL OF GEOGRAPHY
FIRST BANK OF CHANDLER ASSESSMENT AREA

Census Tract Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Owner Occupied Units[2]
	#	$(000)	#%	$%	#%	$%	
Total Home Mortgage Loans							
Moderate	2	84	7.7	3.7	7.2	8.4	11.9
Middle	24	2,210	92.3	96.3	92.8	91.6	88.1
Home Purchase Loans							
Moderate	0	0	0.0	0.0	7.0	7.3	11.9
Middle	10	638	100.0	100.0	93.0	92.7	88.1
Home Refinance Loans							
Moderate	1	60	20.0	8.8	8.9	10.9	11.9
Middle	4	622	80.0	91.2	91.1	89.1	88.1
Home Improvement Loans							
Moderate	1	24	9.1	2.5	4.6	2.9	11.9
Middle	10	950	90.9	97.5	95.4	97.1	88.1
Multifamily Loans							**% of Multifamily Units[2]**
Moderate	0	0	0.0	0.0	0.0	0.0	4.4
Middle	0	0	0.0	0.0	0.0	0.0	95.6

1 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
2 The percentage of owner-occupied housing and multifamily units by tract are based on 2015 FFIEC's Census tract boundaries and 2010 ACS data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Overall HMDA-Reportable Loans

Overall, the bank's geographic distribution of HMDA-reportable loans is considered reasonable. As indicated in Table 4, the bank's HMDA lending in the moderate-income census tract, at 7.7 percent (3.7 percent by dollar), is lower than the percent of owner-occupied units, at 11.9 percent, but similar to aggregate HMDA lending, at 7.2 percent (8.4 percent by dollar). The bank originated 92.3 percent (96.3 percent by dollar) of its loans in the middle-income tracts, which was similar to aggregate HMDA lending, at 92.8 percent (91.6 percent by dollar), and slightly above the percentage of owner-occupied units, at 88.1 percent.

The bank's 2013 and 2014 HMDA data reflects strong geographic distribution performance. The bank's 2013 and 2014 HMDA lending in the moderate-income tract, at 14.7 percent and 12.5 percent, respectively, exceeded both the demographic figure, at 11.9 percent, and the aggregate HMDA lending, at 8.1 percent and 6.9 percent, respectively.

Below is a discussion of the bank's performance by product type. As noted, given the overall limited volume of HMDA-reportable loans, stratification by product type resulted in conclusions based on a small number of loans.

Home Purchase Loans

The bank's geographic distribution of home purchase loans is reasonable. Although the bank did not make any home purchase loans in the moderate-income tract, the percentage of owner-occupied units, at 11.9 percent, and the lower levels of aggregate HMDA lending, at 7.0 percent (7.3 percent by dollar), show there is relatively limited opportunity and demand for such loans in this tract. As mentioned, a community member stated that the area's distance from urban areas, where employment opportunities are greater, has contributed to limited new home construction despite the need for more affordable, quality housing stock.

The bank originated all of its home purchase loans (100.0 percent by number and dollar) in middle-income tracts, which is above demographic data, at 88.1 percent, and aggregate lending data, at 93.0 percent (92.7 percent by dollar).

Refinance Loans

The bank's distribution of home refinance loans is considered excellent. The bank originated 20.0 percent (8.8 percent by dollar) of its refinance loans in the moderate-income tract, which is significantly higher than both the percent of owner-occupied units, at 11.9 percent, and the aggregate HMDA lending, at 8.9 percent (10.9 percent by dollar). The bank originated 80.0 percent (91.2 percent by dollar) of its refinance loans in the middle-income tracts, which is lower than both the demographic data, at 88.1 percent, and the aggregate lending data, at 91.1 percent (89.1 percent by dollar).

Home Improvement Loans

The bank's distribution of home improvement loans is considered reasonable. The bank originated 9.1 percent of its loans (2.5 percent by dollar) in the moderate-income tract, which is slightly below the percent of owner-occupied units, at 11.9 percent, but higher than aggregate HMDA lending, at 4.6 percent (2.9 percent by dollar). In the middle-income tracts, the bank originated 90.9 percent (97.5 percent by dollar) of its home improvement loans, which is above the demographic data, at 88.1 percent, but below the aggregate lending data, at 95.4 percent (97.1 percent by dollar).

TABLE 5
DISTRIBUTION BY INCOME LEVELS OF GEOGRAPHIES
FIRST BANK OF CHANDLER ASSESSMENT AREA

Census Tract Income Level	Small Business Loans				% of Businesses[2]
	#	$(000)	#%	$%	
Moderate	2	27	5.9	0.7	8.2
Middle	32	4,104	94.1	99.3	91.8
Census Tract Income Level	**Small Farm Loans**				**% of Farms[2]**
	#	**$(000)**	**#%**	**$%**	
Moderate	9	729	15.3	20.3	11.3
Middle	50	2,861	84.7	79.7	88.7

[1] Based on 2010 ACS five-year estimate data and 2016 FFIEC's census tract designations.
[2] Based on 2016 D&B data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Business Loans

The bank's geographic distribution of small business loans is considered reasonable. As indicated in Table 5, the bank originated 5.9 percent (0.7 percent by dollar) of its small business loans in the moderate-income tract, which is lower than the percent of area businesses located in this tract, at 8.2 percent. The moderate-income tract is located in the northwestern part of the AA, which a community member stated was mainly farming operations of cattle, pasture, and native grassland. Lending in the middle-income tracts, at 94.1 percent (99.3 percent by dollar), was higher than the demographic data, at 91.8 percent.

Small Farm Loans

The bank's geographic distribution of small farm loans is considered reasonable. As noted in Table 5, the bank originated 15.3 percent (20.3 percent by dollar) of its small farm loans in the moderate-income tract, which is higher than the percent of area farms located in this tract, at 11.3 percent. Additionally, lending to small farms in the middle-income tracts, at 84.7 percent (79.7 percent by dollar), was lower than the demographic data, at 88.7 percent.

Distribution by Borrower Income and Revenue Size of Businesses and Farms:

This performance criterion evaluates the bank's lending to borrowers of different income levels, particularly LMI individuals, and to businesses and farms of different revenue sizes, primarily those with gross annual revenues of $1MM or less. The review evaluates both the number of loan originations and the dollar volume. Overall, the bank's borrower distribution of lending is considered reasonable.

TABLE 6
DISTRIBUTION OF 2015 HOME MORTGAGE DISCLOSURE ACT LOANS
BY BORROWER INCOME LEVELS
FIRST BANK OF CHANDLER ASSESSMENT AREA

Borrower Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Families[2]
	#	$(000)	#%	$%	#%	$%	
Total Home Mortgage Loans[3]							
Low	3	114	11.5	5.0	11.4	5.0	24.2
Moderate	7	468	26.9	20.4	21.0	16.4	21.1
Middle	6	382	23.1	16.7	23.9	22.3	23.3
Upper	10	1,330	38.5	58.0	32.8	43.9	31.3
Unknown	0	0	0.0	0.0	11.0	12.4	0.0
Home Purchase Loans							
Low	1	24	10.0	3.8	11.8	6.2	24.2
Moderate	6	380	60.0	59.6	25.0	20.4	21.1
Middle	1	59	10.0	9.2	24.5	23.7	23.3
Upper	2	175	20.0	27.4	28.3	38.6	31.3
Unknown	0	0	0.0	0.0	10.5	10.9	0.0
Refinanced Loans							
Low	1	60	20.0	8.8	7.8	3.4	24.2
Moderate	0	0	0.0	0.0	16.7	11.9	21.1
Middle	0	0	0.0	0.0	20.6	19.0	23.3
Upper	4	622	80.0	91.2	37.0	48.8	31.3
Unknown	0	0	0.0	0.0	17.9	16.8	0.0
Home Improvement Loans							
Low	1	30	9.1	3.1	16.4	4.4	24.2
Moderate	1	88	9.1	9.0	17.8	11.0	21.1
Middle	5	323	45.5	33.2	27.6	28.2	23.3
Upper	4	533	36.4	54.7	37.5	55.7	31.3
Unknown	0	0	0.0	0.0	0.7	0.8	0.0

1 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
2 Based on 2010 five-year estimate data and 2015 FFIEC's census tract designations.
3 Multifamily loans are not considered in the Borrower Analysis.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Overall Home Mortgage Disclosure Act-Reportable Loans

Overall, the bank's distribution of HMDA-reportable loans to borrowers of different income levels is reasonable considering the AA demographics and local economic conditions. As indicated in Table 6, the bank originated 11.5 percent of its HMDA loans (5.0 percent by dollar) to low-income borrowers, which is similar to aggregate HMDA lending, at 11.4 percent (5.0 percent by dollar). The bank's distribution fell below the percentage of low-income families, however, at 24.2 percent. Community members indicated that some low-income borrowers have difficulty qualifying for loans, especially when the prices of oil and gas are falling and personal incomes are lowered. The bank's lending to moderate-income borrowers, at 26.9 percent (20.4 percent by dollar), exceeds both aggregate lending data, at 21.0 percent (16.4 percent by dollar), and the percentage of families in the moderate-tract, at 21.1 percent.

The bank's lending to middle-income borrowers, at 23.1 percent (16.7 percent by dollar), is similar to both aggregate lending data, at 23.9 percent (22.3 percent by dollar), and demographic data, at 23.3 percent. The bank's lending to upper-income borrowers, at 38.5 percent (58.0 percent by dollar), exceeded both the aggregate lending data, at 32.8 percent (43.9 percent by dollar), and demographic data, at 31.3 percent.

The bank's 2013 and 2014 HMDA performance reflects similar levels of lending to borrowers of all income levels. The bank originated between eight and ten total mortgage loans to LMI borrowers, with relatively stronger performance to moderate-income borrowers when compared to aggregate lending and demographic data.

Home Purchase Loans

The bank's distribution of home purchase loans to borrowers of different income levels in the AA is considered reasonable. The bank originated 10.0 percent (3.8 percent by dollar) of its home purchase loans to low-income borrowers, which is lower than aggregate lending data, at 11.8 percent (6.2 percent by dollar), and the percent of low-income families, at 24.2 percent. However, the bank's lending to moderate-income borrowers, at 60.0 percent (59.6 percent by dollar), is significantly higher than demographic data, at 21.1 percent, and aggregate lending data, at 25.0 percent (20.4 percent by dollar). The bank's lending to both middle-income borrowers, at 10.0 percent (9.2 percent by dollar), and upper-income borrowers, at 20.0 percent (27.4 percent by dollar), were below the percent of families, at 23.3 percent and 31.3 percent, respectively. The bank's lending to middle- and upper-income borrowers was also below aggregate lending data, at 24.5 percent (23.7 percent by dollar) and 28.3 percent (38.6 percent by dollar), respectively.

Refinance Loans

The bank's distribution of home refinance loans to borrowers of different income levels in the AA is reasonable. The bank originated 20.0 percent (8.8 percent by dollar) of its home refinance loans to low-income borrowers. This is slightly below the percent of low-income families, at 24.2 percent, but higher than aggregate lending data, at 7.8 percent (3.4 percent by dollar). The bank did not originate any loans to moderate-income borrowers, compared to aggregate lending data, at 16.7 percent (11.9 percent by dollar) and demographic data, at 21.1 percent. A community member indicated that the older generation is leaving the county due to lack of medical services in the area. The younger generation is also leaving the area for more attractive job opportunities in larger cities. With most of the home ownership population age leaving the AA, the need to refinance is low.

The bank did not originate any home refinance loans to middle-income borrowers, compared to the demographic data and aggregate lending data, at 23.3 percent and 20.6 percent (19.0 percent by dollar), respectively. The bank's lending to upper-income borrowers, at 80.0 percent (91.2 percent by dollar), exceeded both demographic data and aggregate lending data, at 31.3 percent and 37.0 percent (48.8 percent by dollar), respectively.

Home Improvement Loans

The bank's distribution of home improvement loans to borrowers of different income levels in the AA is considered poor. The bank's performance was notably below both demographic and aggregate lending data. The bank originated 9.1 percent (3.1 percent by dollar) of its home improvement loans to low-income borrowers, which is lower than the percent of low-income families, at 24.2 percent, and aggregate lending data, at 16.4 percent (4.4 percent by dollar). The bank's lending to moderate-income borrowers represented 9.1 percent (9.0 percent by dollar), which was lower than both demographic data, at 21.1 percent, and aggregate lending data, at 17.8 percent (11.0 percent by dollar). A community member indicated that many families have cut back spending due to income reductions caused by the loss of oil and gas revenues as a result of lower prices, which includes improving their homes.

The bank's lending to middle-income borrowers, at 45.5 percent (33.2 percent by dollar), is higher than demographic data, at 23.3 percent, and aggregate lending data, at 27.6 percent (28.2 percent by dollar). The bank's lending to upper-income borrowers, at 36.4 percent (54.7 percent by dollar), was higher than the demographic data, at 31.3 percent, and similar to aggregate lending data, at 37.5 percent (55.7 percent by dollar).

**TABLE 7
DISTRIBUTION BY
REVENUE SIZE OF BUSINESSES AND FARMS
FIRST BANK OF CHANDLER ASSESSMENT AREA**

Business Revenue	Small Business Loans				% of Businesses by Revenue[2]
	#	$(000)	#%	$%	
$1MM or Less	29	3,178	85.3	76.9	88.2
Over $1MM	5	954	14.7	23.1	8.8
Income Not Known	0	0	0.0	0.0	3.0
Farm Revenue	**Small Farm Loans**				**% of Farms by Revenue[2]**
	#	$(000)	#%	$%	
$1MM or Less	59	3,590	100.0	100.0	98.6
Over $1MM	0	0	0.0	0.0	1.4
Income Not Known	0	0	0.0	0.0	0.0

1 Based on 2010 ACS five-year estimate data.
2 Based on 2016 D&B data.
(Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

Small Business Loans

The bank's level of lending to businesses of different revenue sizes is reasonable. As noted in Table 7, the percentage of loans originated to businesses with revenues of $1MM or less, at 85.3 percent (76.9 percent by dollar), is comparable to the AA's percentage of businesses with revenues of $1MM or less, at 88.2 percent. The bank's lending to businesses with revenues over $1MM was 14.7 percent (23.1 percent by dollar), which exceeded demographic data.

Small Farm Loans

The level of lending to farms of different revenue sizes is reasonable. As indicated in Table 7, the bank originated all of its 59 loans sampled to small farms or those with gross annual revenues of $1MM or less. This is slightly above the percentage of small farms operating in the AA, at 98.6 percent.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

An evaluation of the bank's fair lending activities was conducted during the examination to determine compliance with substantive provisions of the antidiscrimination laws and regulations, including the Equal Credit Opportunity Act and the Fair Housing Act. No evidence of discrimination was identified. Furthermore, the bank has not engaged in any illegal credit practices inconsistent with helping to meet the credit needs of the community.

APPENDIX A

2014 HOME MORTGAGE DISCLOSURE ACT

TABLE A-1
DISTRIBUTION OF 2014 HOME MORTGAGE DISCLOSURE ACT LOANS
BY INCOME LEVEL OF GEOGRAPHY
FIRST BANK OF CHANDLER ASSESSMENT AREA

Census Tract Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Owner Occupied Units[2]
	#	$(000)	#%	$%	#%	$%	
Total Home Mortgage Loans							
Moderate	4	346	12.5	11.0	6.9	7.2	11.9
Middle	28	2,792	87.5	89.0	93.1	92.8	88.1
Home Purchase Loans							
Moderate	2	138	14.3	11.9	7.7	7.4	11.9
Middle	12	1,021	85.7	88.1	92.3	92.6	88.1
Home Refinance Loans							
Moderate	2	208	16.7	14.7	7.0	7.1	11.9
Middle	10	1,203	83.3	85.3	93.0	92.9	88.1
Home Improvement Loans							
Moderate	0	0	0.0	0.0	4.9	5.9	11.9
Middle	5	193	100.0	100.0	95.1	94.1	88.1
Multifamily Loans							**% of Multifamily Units[2]**
Moderate	0	0	0.0	0.0	0.0	0.0	4.4
Middle	1	375	100.0	100.0	100.0	100.0	95.6

1 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
2 The percentage of owner-occupied housing and multifamily units by tract are based on 2014 FFIEC's Census tract boundaries and 2010 ACS data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

TABLE A-2
DISTRIBUTION OF 2014 HOME MORTGAGE DISCLOSURE ACT LOANS
BY BORROWER INCOME LEVELS
FIRST BANK OF CHANDLER ASSESSMENT AREA

Borrower Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Families[2]
	#	$(000)	#%	$%	#%	$%	
Total Home Mortgage Loans[3]							
Low	2	32	6.3	1.0	9.6	4.5	24.2
Moderate	6	262	18.8	8.3	21.5	16.6	21.1
Middle	8	701	25.0	22.3	22.0	21.5	23.3
Upper	15	1,768	46.9	56.3	34.2	42.2	31.3
Unknown	1	375	3.1	12.0	12.6	15.1	0.0
Home Purchase Loans							
Low	0	0	0.0	0.0	8.4	4.9	24.2
Moderate	4	194	28.6	16.7	21.9	18.7	21.1
Middle	3	208	21.4	17.9	19.5	18.9	23.3
Upper	7	757	50.0	65.3	32.8	41.6	31.3
Unknown	0	0	0.0	0.0	17.3	15.9	0.0
Refinanced Loans							
Low	1	8	8.3	0.6	8.8	3.2	24.2
Moderate	1	40	8.3	2.8	19.8	13.6	21.1
Middle	3	401	25.0	28.4	23.4	24.8	23.3
Upper	7	962	58.3	68.2	36.3	44.0	31.3
Unknown	0	0	0.0	0.0	11.7	14.5	0.0
Home Improvement Loans							
Low	1	24	20.0	12.4	13.7	9.5	24.2
Moderate	1	28	20.0	14.5	23.5	16.1	21.1
Middle	2	92	40.0	47.7	25.7	30.5	23.3
Upper	1	49	20.0	25.4	35.0	41.9	31.3
Unknown	0	0	0.0	0.0	2.2	1.9	0.0

[1] Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
[2] Based on 2010 five-year estimate data and 2014 FFIEC's census tract designations.
[3] Multifamily loans are not considered in the Borrower Analysis.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

2013 HOME MORTGAGE DISCLOSURE ACT

TABLE A-3
DISTRIBUTION OF 2013 HOME MORTGAGE DISCLOSURE ACT LOANS BY INCOME LEVEL OF GEOGRAPHY
FIRST BANK OF CHANDLER ASSESSMENT AREA

Census Tract Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Owner Occupied Units[2]
	#	$(000)	#%	$%	#%	$%	
Total Home Mortgage Loans							
Moderate	5	283	14.7	10.6	8.1	9.0	11.9
Middle	29	2,375	85.3	89.4	91.9	91.0	88.1
Home Purchase Loans							
Moderate	2	105	10.0	6.2	5.2	5.8	11.9
Middle	18	1,598	90.0	93.8	94.8	94.2	88.1
Home Refinance Loans							
Moderate	3	178	30.0	23.3	12.2	12.8	11.9
Middle	7	587	70.0	76.7	87.8	87.2	88.1
Home Improvement Loans							
Moderate	0	0	0.0	0.0	5.1	1.5	11.9
Middle	4	190	100.0	100.0	94.9	98.5	88.1
Multifamily Loans							**% of Multifamily Units[2]**
Moderate	0	0	0.0	0.0	0.0	0.0	4.4
Middle	0	0	0.0	0.0	0.0	0.0	95.6

1 Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
2 The percentage of owner-occupied housing and multifamily units by tract are based on 2013 FFIEC's Census tract boundaries and 2010 ACS data.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)

TABLE A-4
DISTRIBUTION OF 2013 HOME MORTGAGE DISCLOSURE ACT LOANS BY BORROWER INCOME LEVELS
FIRST BANK OF CHANDLER ASSESSMENT AREA

Borrower Income Level	Bank Loans				Aggregate HMDA Data[1]		% of Families[2]
	#	$(000)	#%	$%	#%	$%	
Total Home Mortgage Loans[3]							
Low	2	86	5.9	3.2	9.9	5.2	24.2
Moderate	8	427	23.5	16.1	19.1	14.5	21.1
Middle	11	693	32.4	26.1	25.3	24.6	23.3
Upper	12	1,427	35.3	53.7	35.6	44.1	31.3
Unknown	1	25	2.9	0.9	10.1	11.6	0.0
Home Purchase Loans							
Low	1	61	5.0	3.6	10.6	7.1	24.2
Moderate	3	156	15.0	9.2	22.3	18.0	21.1
Middle	8	547	40.0	32.1	25.4	25.6	23.3
Upper	7	914	35.0	53.7	33.4	42.1	31.3
Unknown	1	25	5.0	1.5	8.3	7.3	0.0
Refinanced Loans							
Low	0	0	0.0	0.0	7.0	3.5	24.2
Moderate	5	271	50.0	35.4	15.9	11.5	21.1
Middle	2	92	20.0	12.0	25.5	24.3	23.3
Upper	3	402	30.0	52.5	38.0	44.7	31.3
Unknown	0	0	0.0	0.0	13.5	16.0	0.0
Home Improvement Loans							
Low	1	25	25.0	13.2	16.2	4.9	24.2
Moderate	0	0	0.0	0.0	19.1	9.8	21.1
Middle	1	54	25.0	28.4	25.0	18.0	23.3
Upper	2	111	50.0	58.4	35.3	61.0	31.3
Unknown	0	0	0.0	0.0	4.4	6.2	0.0

[1] Aggregate loan data reflects all loan originations in the bank's AA reported by all HMDA filers.
[2] Based on 2010 five-year estimate data and 2013 FFIEC's census tract designations.
[3] Multifamily loans are not considered in the Borrower Analysis.
(NOTE: Total percentages shown may vary by 0.1 percent due to automated rounding differences.)