



## **PUBLIC DISCLOSURE**

May 12, 2003

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

**THE FIRST BANK OF HASKELL  
RSSD# 287155**

**P.O. BOX 128  
HASKELL, OKLAHOMA 74436**

**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

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

The First Bank of Haskell (the bank) has a satisfactory record of helping to meet the credit needs of its entire assessment area in a manner consistent with its resources, capabilities, and operating philosophies. Four of the five criteria used in evaluating small bank lending performance were relevant to this review and are as follows:

- Loan-to-Deposit (LTD) Ratio;
- Lending Inside the Assessment Area;
- Lending to Borrowers of Different Income Levels and to Businesses and Farms of Different Revenue Sizes; and
- Lending by Income Level of Census Tract.

The fifth evaluation criteria, responsiveness to consumer complaints, was not reviewed because the bank had not received any complaints about its Community Reinvestment Act (CRA) performance since the previous examination.

Conclusions about the four remaining performance criteria were based on data compiled from a statistically derived sample of loan files reviewed for each major product line. Commercial and agricultural loans represented a majority of the bank's loan portfolio by dollar volume; and therefore, were selected for review in evaluating the bank's lending performance. A detailed discussion of the conclusions is presented later in this public disclosure.

The analysis concluded that the bank's LTD ratio was reasonable as it compared favorably to its competitors and exceeded state and national peer group averages. In addition, a substantial majority of the bank's loans were originated to borrowers located inside its assessment area. The bank's distribution of loans among businesses and farms of different sizes reflected a relatively strong lending performance. Furthermore, the bank's dispersion of loans among geographies of different income levels was considered reasonable based on the demographic and economic aspects of its assessment area.

## DESCRIPTION OF INSTITUTION

The First Bank of Haskell is located in Haskell, Oklahoma, approximately 30 miles southeast of Tulsa and 20 miles northwest of Muskogee. Haskell is in northeastern Oklahoma in Muskogee County. The bank is one of six banking institutions owned by Mabrey Bancorporation, Inc., which is headquartered in Okmulgee, Oklahoma. Based on 2000 population estimates by the U.S. Bureau of the Census, Haskell had a population of

1,765. The bank has no branch offices and is comprised of only one facility, which is readily accessible to the entire community. In addition, the bank is a full-service facility with drive-up teller windows and two automated teller machines (ATMs) in Haskell and one in Porter, Oklahoma. As of June 30, 2002, the bank ranked 44<sup>th</sup> out of 59 banks in the four-county region and had the second smallest share of the 11 Federal Deposit Insurance Corporation (FDIC)-insured institutions in Muskogee County in terms of deposit market share.

The bank has the ability to meet the credit needs of its defined assessment area based on its asset size, financial condition, and credit product offerings. According to the December 31, 2002 Consolidated Reports of Income and Condition (Call Report), the bank's assets totaled \$22,672M, of which net loans comprised \$18,011M or 79 percent. The bank is primarily a commercial and agricultural lender but offers a variety of loan products to meet the needs of its assessment area. The bank's loan portfolio is illustrated in Table 1.

<b>Table 1</b> <b>THE FIRST BANK OF HASKELL'S LOAN PORTFOLIO</b> <b>AS OF DECEMBER 31, 2002</b>		
<b>Loan Type</b>	<b>Amount (\$000)</b>	<b>Percent of Total</b>
Commercial	6,650	36.5
Farmland or Agricultural	4,829	26.5
Residential Real Estate	3,870	21.3
Consumer	2,867	15.7
<b>Total</b>	<b>18,216</b>	<b>100.0</b>

As Table 1 illustrates, commercial and agricultural loans comprised 63.0 percent of the total dollar volume in the bank's loan portfolio. Although consumer loans represented 53.0 percent by number, it was the smallest product by dollar volume at 15.7 percent.

No legal or financial factors exist that would significantly hinder the bank's ability to meet the credit needs of its assessment area. The bank's CRA performance was last reviewed by the Federal Reserve Bank of Kansas City on April 5, 1999, when a rating of Satisfactory was assigned.

## DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area is located in northeastern Oklahoma consisting of parts of Muskogee, Okmulgee, Tulsa, and Wagoner Counties. A large part of the assessment area is in Tulsa and Wagoner Counties, which are part of the Tulsa Metropolitan Statistical Area (MSA). Muskogee and Okmulgee Counties abut the southern edge of the MSA and are rural counties.<sup>1</sup> The bank's assessment area consists of one census tract in Tulsa County and three census tracts in Wagoner County, and both counties are located in the Tulsa MSA. In addition, two Block Numbering Areas (BNAs) are located in Muskogee County, and one BNA is located in Okmulgee County. For purposes of this report, census tracts and BNAs will be referred to collectively as census tracts. Six of the seven tracts in the bank's assessment area are middle-income, and one is a moderate-income tract. The area contained no low- or upper-income tracts. The area's only moderate-income tract is in Wagoner County. The bank is located in a middle-income tract.

Further assessment area characteristics based on 1990 census data are summarized in Table 2. Individual tract boundaries within the assessment area have changed due to the 2000 Census. Because of these redistricting issues, the performance context is mainly based on 1990 census data; however, 2000 data will be referred to when possible to give an indication of any changes in the area.

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<sup>1</sup> Because the area is located partly in metropolitan and partly in rural areas, the demographic and economic analysis compared the assessment area to statewide areas.

<b>Table 2 BANK ASSESSMENT AREA CHARACTERISTICS</b>	
<b>TRACT SUMMARY</b>	
Total Number of Tracts	7
Number of Moderate-Income Tract	1
Number of Middle-Income Tracts	6
<b>Income Summary</b>	
Median Family Income	\$27,929
Median Family Income (Oklahoma)	\$28,554
Percent Low-Income Families	23.4
Percent Families Living Below Poverty Level	13.2
Percent Moderate-Income Families	18.9
Percent Middle-Income Families	22.0
Percent Upper-Income Families	35.7
<b>LABOR SUMMARY</b>	
Labor Force Population	12,603
Percent Unemployment	6.4
Percent Unemployment (Oklahoma)	6.7
<b>MISCELLANEOUS INFORMATION</b>	
Total Population	29,308
Total Housing Units	11,340
Median Housing Value	\$45,417
Median Housing Value (Oklahoma)	\$47,643
Percentage Owner-Occupied Units to Total Housing Units	67.1
Percentage Rental Units to Total Housing Units	22.0
Percentage Vacant Units to Total Housing Units	10.9

\*1990 U.S. Census Data.

According to 2000 Census Data, the total population of the assessment area has increased by 11.7 percent since 1990. The tracts closest to the Tulsa metropolitan area had increases of over 20 percent benefiting from the economic success and expansion of the city to the south. The middle income tract where the bank is located experienced 5.7 percent growth. However, the population of Haskell decreased by 17.6 percent from 2,143 residents in 1990 to 1,765 residents in 2000. Interviews with local community

members stated that Haskell continues to be a bedroom community for commuters to Tulsa and Muskogee. In 1990, the assessment area contained a relatively large prison population in Muskogee and Taft, with 4.2 percent of the population living in correctional institutions.

In 1990, the area contained a higher volume of households that were families<sup>2</sup> at 78.2 percent compared to the state as a whole at 71.6 percent. The concentration of families in the area decreased in 2000 to 75.9 percent, with the state also experiencing a similar decline to 68.7 percent.

The assessment area contained larger concentrations of low- and moderate-income families than in statewide areas as a whole. In 1990, the area's median family income (\$27,929) was 97.8 percent of statewide (\$28,554) areas, thus classifying it as a middle-income area. However, the area contained slightly larger concentrations of low- and moderate-income households and a large working poor population. In addition, per capita personal income (PCPI) in 2000 varied greatly among the counties in the assessment area with Okmulgee's PCPI at \$16,227, ranking 71<sup>st</sup> of 77 counties in Oklahoma, followed by Wagoner County with a PCPI of \$18,639 and a state ranking of 48<sup>th</sup>. Muskogee County's PCPI of \$20,222 ranked 28<sup>th</sup> in the state, while Tulsa County had the second highest PCPI in the state at \$32,688.

Bankruptcy filing rates<sup>3</sup> were high and may effect a financial institutions' ability to lend. Okmulgee County's personal bankruptcy filing rate at 45.0 percent for 2001 was considerably higher compared to the other three counties in the assessment area, where rates varied from 20.7 percent to 31.1 percent. Although all counties showed substantial increases in filing rates for 2001, indicating a troubled area economy, Okmulgee County's rate at 45.0 percent was over twice the state rate of 22.3 percent.

A substantial majority of assessment area business establishments serving as the primary employment sectors were small service and retail industries. However, the area's service and retail industry jobs were among the lowest paying jobs. The area economy showed some diversification and contained several manufacturing industries, which provided higher paying positions according to an interview with a local community member. Outside of the Tulsa metropolitan area, the area was more dependent on agriculture, consisting of cattle ranching operations and wheat and soybeans as primary crops. Although the farm economy has faced declines in commodity prices resulting in weak farm revenues, the agricultural economy remained stable due, in part, to government subsidies. In addition, the area had not experienced drought conditions that have plagued neighboring states.

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<sup>2</sup> Families are a subset of households and consist of households with at least two individuals related by birth, marriage or adoption.

<sup>3</sup> A bankruptcy filing rate is the percentage of change in the number of bankruptcies that have been filed from the previous year.

From 1990 to 2000, the unemployment rates generally declined, with the area benefiting from historically high economic expansion that occurred nationally. However, from 2000 to 2001 all counties in the area experienced an increase in their unemployment rates with 2001 rates for Wagoner County at 3.0 percent, Tulsa County at 3.4 percent, Muskogee County at 4.3 percent and Okmulgee County at 6.6 percent.

Compared to statewide areas, the assessment area contained a large volume of owner-occupied housing units. In 1990, 67.1 percent of area housing units were owner-occupied compared to 58.4 percent statewide. In addition, housing stock was generally newer in the assessment area than in statewide areas. The median age of housing stock at 18 years and the concentration of units built prior to 1950 at 18.4 percent were both much lower than in statewide areas at 28 years and 21 years, respectively. The area's housing vacancy rate was 10.8 percent compared to 14.2 percent statewide, which also indicated that there was a demand for housing. The area's high concentration of mobile homes at 17.2 percent further indicated a demand for affordable housing. However, the area's housing affordability ratio<sup>4</sup> of 0.52 was comparable to the statewide ratio of 0.49. Thus, despite the area's lower household and family incomes, housing was more affordable compared to other areas of the state.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Several factors were considered in evaluating the bank's overall CRA performance. The factors included: a review of the bank's level of lending in relation to its deposits and that of other comparable financial institutions in the area; the percentage of loans originated by the bank within its defined assessment area; the bank's level of lending to businesses and farms of different sizes; and, the distribution of lending in the bank's assessment area by income level of geographies. As previously noted, two individuals from the local community, representing economic development and an agricultural cooperative extension service, were interviewed to obtain insight about the credit needs of the community and their perception of the bank's ability to meet those credit needs. The bank had not received any complaints relative to its performance under the CRA since the last examination. Therefore, the bank's responsiveness to CRA complaints was not included in the evaluation. The bank's performance under the Act is considered satisfactory, based on the following assessment criteria analysis.

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<sup>4</sup> Affordability rates are calculated using median household income/median housing value. The higher the rate, the more affordable the housing stock.



### **LOAN-TO-DEPOSIT RATIO**

The bank's net LTD ratio was considered reasonable, given the institution's size, local economic conditions, and credit demand. As of December 31, 2002, the bank's LTD ratio averaged 80.0 percent over the 15 quarters since its last examination. The bank's average LTD ratio from the previous eight quarters from March 31, 2001 to December 31, 2002 was computed and compared to that of its local, state, and national competitors. Over the same period, the bank's net LTD ratio averaged 80.4 percent and compared favorably to the averages of four competitor financial institutions in the area whose LTD ratios ranged from 53.4 percent to 87.5 percent. The bank's average LTD ratio also exceeded that of its state and national peers whose ratios were 67.0 percent and 64.8 percent, respectively. The bank's peer group consisted of all insured commercial banks having assets between \$10 million and \$25 million with one banking office and located in a nonmetropolitan area.

### **LENDING INSIDE THE ASSESSMENT AREA**

A substantial majority of the bank's lending occurred within its designated assessment area. An analysis of 27 commercial and 25 agricultural loans, showed that 85 percent of the loans were originated inside the bank's assessment area. Furthermore, the loans originated inside the bank's assessment area represented 85 percent of the dollar volume of the combined loan sample. Table 3 summarizes the percentage of loans reviewed during this examination, by number and dollar amount, which were located inside the bank's assessment area.

Table 3 LOANS WITHIN THE BANK'S ASSESSMENT AREA				
LOAN TYPE SAMPLED	Number	Percent by #	Dollar Volume (\$000)	Percent by \$
Commercial	21	78	785,494	91
Agricultural	23	92	324,502	73
<b>All Loans Reviewed</b>	44	85	1,109,996	85
<b>NOTE:</b> The commercial and agricultural loan samples were selected from a six-month period covering September 13, 2002 to March 13, 2003 and September 14, 2002 to March 14, 2003, respectively.				

**DISTRIBUTION OF LENDING AMONG BUSINESSES AND FARMS OF DIFFERENT SIZES**

The bank's distribution of loans to businesses and farms of different sizes was strong and reflected the small business and farm demographics of the assessment area.

*Commercial Loans:*

A review of the business loans originated within the bank's assessment area showed that 100 percent of the loans were made to businesses with revenues of \$1 million or less. Under the CRA, small businesses are defined as those operations with gross annual revenues of \$1 million or less. In addition, the bank's small business loan distribution exceeded the business demographics of the area. According to 2001 Dun & Bradstreet (D&B) Business Geodemographic Data, 86.5 percent of the businesses located in the bank's assessment area that reported revenue data had revenues of less than \$1 million and were considered small businesses. Furthermore, of the 20 small business loans reviewed, 17 loans or 85 percent were for loan amounts less than or equal to \$100M, a loan size typically needed by small businesses. The bank's small business lending activity reflected that the bank recognized the need for small-dollar business credit and was committed to meeting the needs of numerous small retail and service-oriented businesses in its assessment area.

*Agricultural Loans:*

The bank's distribution of loans to farms of different revenue sizes was considered strong. A review of the 23 agricultural loans originated within the bank's assessment area showed that all of the loans were made to farms with revenues of \$1 million or less, which exceeded the percentage of small farms within the area at 94.5 percent. Small farms are defined as those with revenues of \$1 million or less. In addition, all of the agricultural loans sampled within the assessment area were for loan amounts less than or equal to \$100M. A small farm loan is defined as a loan with an origination balance of \$500M or less. The fact that all of the farm loans in the sample were made to small

farms reflected the bank’s commitment to meet the needs of small farms in its assessment area.

**DISTRIBUTION OF LENDING AMONG GEOGRAPHIES OF DIFFERENT INCOME LEVELS**

Given the demographics of the area, the geographic distribution of loans reflected a reasonable penetration throughout the overall assessment area. As previously stated, the assessment area contained no low- or upper-income tracts. Six of the tracts were middle-income, and one was moderate-income, representing 86 percent and 14 percent of the assessment area, respectively. Table 4 depicts the percentage of tracts in the bank’s assessment area by varying income levels and the percentage of loans originated in each for the various loan products reviewed. The bank’s performance was compared to the percentages of businesses and farms in census tracts of different income levels. As Table 4 reflects, a substantial majority of the bank’s loan originations for both loan products were in middle-income tracts, which is consistent with the percentages of businesses and farms located in the middle-income tracts.

<b>Table 4                      DISTRIBUTION OF LOANS REVIEWED WITHIN                      THE BANK’S ASSESSMENT AREA                      BY INCOME LEVEL OF GEOGRAPHY</b>					
<b>Area Median Family Income</b>					<b>\$ 27,929</b>
<b>Income Level of Geography</b>	<b>Percent of Commercial Loans Reviewed</b>	<b>Percentage of AA Businesses *</b>	<b>Percent of Agricultural Loans Reviewed</b>	<b>Percent of AA Farms*</b>	<b>Percent of Geographies within Assessment Area**</b>
<b>Moderate (50 to 80 Percent of Median Income)</b>	5	5	17	13	14
<b>Middle (80 to 120 Percent of Median Income)</b>	95	95	83	87	86
* Based on 2001 Dun & Bradstreet Business Geodemographic Data. ** All demographic data is based on 1990 Census Data.					

*Commercial Loans:*

The bank’s geographic distribution of commercial loans was compared to the percentage of businesses within each income category of tract. The bank’s distribution of small business loans mirrored the percentage of businesses in the moderate- and middle-income tracts. The moderate-income tract was described as generally a residential area and

contained few business establishments. Based on Dun & Bradstreet 2001 Business Geodemographic data, only 5 percent of the area's small businesses were located in the moderate-income tract. In addition, the small number of area businesses in the moderate-income tract reduced the demand for business credit. The moderate-income tract contained 9 percent of the area's population, 10 percent of the households and housing units, and 11 percent of the owner-occupied units. While in comparison, the middle-income tracts contained 91 percent of the area's population, and 90 percent of the area's households, families, and total housing units. Furthermore, small business development was mainly occurring in the area's middle-income tracts with most area establishments related to retail trade, service industries, and construction.

*Agricultural Loans:*

The bank's geographic distribution of agricultural lending was compared to the percentage of farms within each income category of tract. Similar to the commercial loan distribution, the majority of the agricultural loans were originated in the middle-income tracts. However, the bank's percentage of agricultural loans originated in the moderate-income tract at 17 percent was higher than the percentage of farms located within the moderate-income tract at 13 percent and was considered reasonable.

## **COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS**

The bank is in compliance with the substantive provisions of the antidiscrimination laws and regulations. A review of bank policies, credit applications, loans, denials, and staff interviews revealed no prohibited practices designed to discourage loan applicants. Further, the bank was not engaged in other illegal credit practices inconsistent with helping to meet community credit needs.

## 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 banks 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.”