



PUBLIC DISCLOSURE

October 25, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**LEGACY BANK
RSSD# 320052**

**202 WEST MAIN STREET
BINGER, OKLAHOMA 73009**

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

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of each examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act performance of Legacy Bank, Binger, Oklahoma, prepared by the Federal Reserve Bank of Kansas City (Reserve Bank), the institution's supervisory agency, as of October 25, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

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

The bank has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income individuals, in a manner consistent with its resources, capabilities, and operating philosophies. The bank's loan-to-deposit ratio is more than reasonable and compares favorably to its competitors and state and national peers. In addition, a majority of the bank's loans are originated within its assessment areas. The bank's distribution of loans represents good penetration among individuals of different income levels, and businesses and farms of different sizes.

DESCRIPTION OF THE INSTITUTION

Legacy Bank's main office is located in Binger, Oklahoma, approximately 60 miles west of Oklahoma City. The bank has four full-service branch offices in Elk City, Hammon, Eakly and Hinton. Elk City is located in Beckham County and is approximately 75 miles west of Binger. Hammon is 15 miles north of Elk City in Roger Mills County. Eakly and Hinton are 15 miles east and 12 miles north of Binger, respectively, and both are located in Caddo County. All facilities are readily accessible to assessment area residents.

The bank has the ability to meet the credit needs of its assessment area based on the bank's size, financial condition, and resources. According to the June 30, 1999 Consolidated Report of Condition and Income (Call Report), the bank's assets totaled \$74,027M, of which loans constituted \$55,178M or 74.5 percent. The bank is primarily a commercial and agricultural lender but offers a variety of credit products to meet the needs of its assessment areas. Table 1 illustrates the composition of the loan portfolio as a percentage of gross loans as of June 30, 1999.

Loan Type	Amount (\$000)	Percent of Total
Commercial	22,460	40.7
Multiple and 1- to 4-Family Real Estate	12,374	22.4
Agriculture	11,603	21.0
Consumer	8,696	15.8
Other	45	0.1
TOTAL	55,178	100.0

No legal or financial factors exist that would hinder the bank's ability to meet the credit needs of its assessment areas. The bank received a "satisfactory" rating at its last CRA examination conducted by the Federal Deposit Insurance Corporation (FDIC) on September 16, 1997.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Legacy Bank has designated two assessment areas, both of which are nonmetropolitan in character. The first assessment area, which surrounds the branch in Elk City, includes one block numbering area (BNA) in Custer County, one BNA in Roger Mills County, and two BNAs in Beckham County. These BNAs are classified as middle-income, with the exception of one Beckham County BNA, which is upper-income. The second assessment area, surrounding Binger, contains two middle-income BNAs in Caddo County. The two assessment areas are separated by a distance of approximately 60 miles.

Elk City Assessment Area

According to 1990 Census data, the Elk City assessment area population was 14,495. The populations of the two BNAs in Custer and Roger Mills Counties declined between 1990 and 1998, with Roger Mills experiencing a significant population loss. Only the Beckham County BNAs grew, but at a lesser growth rate than statewide levels.

Based on Census data, the 1990 median-family income was \$24,718 in the Elk City assessment area, which is comparable to the statewide rural area median-family income of \$24,139. However, 14.5 percent of assessment area families were below the poverty level, compared to the poverty level of statewide rural areas at 16.4 percent. Although per capita personal incomes (PCPIs) have increased slightly between 1996 and 1997, Bureau of Economic Analysis (BEA) data showed that none of the counties had PCPIs equal to or greater than the PCPI for statewide rural areas. Projected BEA data showed that low- and moderate-income families were the fastest growing income groups in the assessment area from 1990 to 1998.

Major employers in the Elk City assessment area include Western Farmers Electric Coop, Great Plains Regional Hospital, and the public schools. Although the area economy remains tied to agriculture and mining, recent data shows that diversification of business activities has resulted in lower unemployment. In 1990, area unemployment was 7.1 percent, which was slightly lower than the statewide rural unemployment rate of 7.5 percent. However, July 1999 data from the Oklahoma Employment Security Commission (OESC) indicated that unemployment rates in Roger Mills, Custer, and Beckham Counties, were 3.0 percent, 3.4 percent, and 4.0 percent, respectively, as compared to the statewide figure of 3.4 percent. This data corresponds with the observations of one community leader. The contact, a local public official, stated that the lower unemployment rate is attributed to expanding construction and retail industries in the Elk City area.

In 1990, the median-housing value in the Elk City assessment area was \$34,143, compared to \$36,373 for statewide rural areas. In 1990, 25.2 percent of the homes were valued at \$15,000 or less, compared to 15.9 percent for statewide rural areas. In addition, the assessment area's housing affordability ratio at .63 percent, calculated by dividing the median-family income by the median housing value, is higher than the statewide rural area ratio of .54 percent. The higher affordability ratio is indicative of greater housing affordability. However, the vacancy rate at 18.6 percent was also higher than statewide rural rates at 16.5 percent. Lower housing values and higher vacancy rates typically indicate housing deterioration. A community contact also confirmed that many dilapidated homes were being demolished to make way for new affordable housing.

Binger Assessment Area

The second assessment area, surrounding the community of Binger, consists of two middle-income BNAs comprising the northern half of Caddo County. These BNAs, with a 1990 population of 6,473, based on Census data, contain only 21.9 percent of the total county population. Projected Census Bureau data indicated that the overall Caddo County population grew by 4.8 percent between 1990 and 1998.

The Binger assessment area's 1990 median-family income was \$24,441, and was comparable to the statewide rural area median-family income of \$24,139. The area's 19.1 percent of families living below the poverty level was higher than statewide rural areas at 16.4 percent. Although per capita personal incomes (PCPIs) have increased slightly between 1996 and 1997, the Caddo County PCPI ranked 70th out of the state's 77 counties in 1997.

Historically, the economy of the Binger assessment area has relied on agriculture; however, the economy has become more diversified in recent years. Primary employers include Great Plains Correctional Facility, Caddo Electric Cooperative, and the public schools. The 1990 unemployment rate was 6.9 percent, which was lower than the countywide rate of 10.1 percent and statewide rural area rate of 7.5 percent. However, OESC estimates indicated that Caddo County's July 1999 unemployment rate at 4.3 percent was higher than the statewide unemployment rate of 3.4 percent.

The 1990 median-housing value for the Binger assessment area was \$32,426, as compared to \$36,373 for other statewide rural areas. In addition, there was a high percentage of mobile homes in the assessment area, a factor in lower median-housing values. The assessment area's housing affordability ratio, at .61 percent is higher than the ratios for both the county (.58 percent) and statewide rural areas (.54 percent). As previously mentioned, a higher ratio is indicative of greater affordability, and 1990 housing values show that 62.7 percent of assessment area homes were valued at \$40,000 or less.

Table 2 summarizes the general demographics and economic characteristics of the combined assessment areas as of the 1990 Census.

Table 2
Bank Assessment Area Characteristics
Elk City and Binger Assessment Areas Combined

Tract Summary	
Total Number of Tracts	6
Number of Middle-Income Tracts	5
Number of Upper-Income Tracts	1
Income Summary	
Median Family Income	\$24,634
Percent Low-Income Families	20.3
Percent Moderate-Income Families	17.2
Percent Middle-Income Families	20.6
Percent Upper-Income Families	41.9
Unemployment Summary	
Labor Force Population (Assessment Area)	9,073
Percent Unemployment (Assessment Area)	7.1
Percent Unemployment (State)	6.7
Miscellaneous Information	
Total Population	20,968
Percentage of Families Below Poverty	15.9
Total Housing Units	9,831
Percentage Owner-Occupied Units to Total Units	57.9
Percentage Rental Units to Total Units	24.2
Percentage Vacant Units to Total Units	17.8

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The data for the two assessment areas was combined for the performance criteria evaluation. This was done primarily because the distribution of total lending was divided fairly evenly between the geographies, and all branches originated loans in both assessment areas. Likewise, the demographic and economic characteristics of the geographies are similar.

In evaluating the bank's CRA performance, the following factors were considered: (1) the bank's level of lending in relation to its deposits and that of other similar financial institutions; (2) the penetration of loan originations inside and outside of the combined assessment areas; and (3) the bank's record of lending to borrowers of different income levels and farms and businesses of different sizes. Because there were no low- or moderate-income geographies in the two assessment areas, the geographic distribution of loans was not meaningful and was not considered in the analysis. The bank has not received any complaints since the last examination related to its CRA performance, so that factor also was not evaluated. Furthermore, as mentioned earlier, two community members from the public sector were contacted to obtain information about the area's

credit needs and to confirm that the local financial institutions are providing the products and services to adequately meet those needs.

Loan-to-Deposit Ratio

The bank's net loan-to-deposit (LTD) ratio of 72.0 percent, which was calculated by averaging the previous eight quarters beginning September 30, 1997, indicated strong responsiveness to the community's credit needs. The ratio was higher than its state of Oklahoma peer group average of 62.2 percent and compared favorably to the national peer group average of 71.8 percent. The bank's peer group consisted of insured commercial banks having assets between \$50MM and \$100MM with three or more banking offices located in nonmetropolitan areas. The LTD ratio also exceeded those of six similarly-situated competitor banks, with ratios ranging from 32.6 percent to 64.2 percent. Given the institution's size, local economic conditions, and credit demand, the average LTD ratio is strong and reflects the bank's effort to meet the credit needs of the assessment areas.

Percentage of Loans in the Assessment Areas

Based on a sample of loans reviewed during the examination, a majority of the bank's lending occurred inside its assessment areas. A sample of 131 commercial, agriculture, and consumer loans revealed that 74.0 percent of the loans were to borrowers within the assessment areas. The percentage of loans within the assessment areas varied by product type as detailed in Table 3.

Table 3 Loans Within The Bank's Assessment Areas	
Loan Type Sampled	Percentage of Loans Reviewed
Commercial	72.7
Agriculture	76.3
Consumer	73.5
COMBINED TOTAL	74.2

Distribution of Lending Among Borrowers of Different Incomes and to Businesses and Farms of Different Sizes

Based on the demographics of the combined assessment areas, the bank's distribution of loans represented good penetration among individuals of different income levels. The percentage of loans made to each income level of borrower was compared to the percentage of families in the assessment areas that have been designated low-, moderate-, middle-, and upper-income. The analysis focused on the number of loans originated, rather than the dollar volume, as it is a better indicator of the number of people benefiting from these products. The results of the consumer loan review are shown in Table 4.

Table 4 Percentage Distribution Of Loans Reviewed Within The Bank's Assessment Areas By Income Level Of Borrower		
Combined Assessment Areas Median Family Income		\$24,634*
Income Level of Borrower	Percentage of Consumer Loans Reviewed	Percentage of Families Within Assessment Areas **
<i>Low (Less Than 50 Percent Of Median Income)</i>	36.1	20.3
<i>Moderate (50 To 80 Percent Of Median Income)</i>	33.3	17.2
<i>Middle (80 To 120 Percent Of Median Income)</i>	13.9	20.6
<i>Upper (Greater Than 120 Percent Of Median Income)</i>	16.7	41.9
<small>* Area Median Family Income is based on the 1990 Census Bureau estimated median family income. ** The Percentage of Families in Assessment Areas is based on 1990 census data.</small>		

Consumer loans to low- and moderate-income borrowers represented 36.1 and 33.3 percent in those income categories, respectively. These percentages are well above the percentages of those families within the combined assessment areas, especially since 15.9 percent of the area families are below the poverty level. A total of 69.4 percent of the loans were made to low- and moderate-income borrowers, as compared to the 37.5 percent total population of low- and moderate-income borrowers. This indicates that the bank recognizes and strives to meet the needs of low- and moderate-income borrowers in the assessment areas.

A review of commercial loans showed that a majority of the bank's loans, 90.6 percent, were originated to businesses with revenues of less than \$1 million. This is reasonable since 92 percent of businesses in the combined assessment areas have revenues of less than \$1 million. In addition, 78.1 percent of loans reviewed were for dollar amounts of

\$100,000 or less, which shows the bank's responsiveness to the credit needs of small businesses, typically the borrowers of smaller commercial loans.

A review of 29 agricultural loans revealed that 100 percent of the loans in the sample were originated to small farms, defined as those with revenues of less than \$1 million. Furthermore, all but three loans in the sample were for dollar amounts of \$100,000 or less, which reflects the bank's commitment to meet the credit needs of small farms within its assessment areas. Table 5 illustrates the bank's lending to small businesses and small farms within its assessment areas.

Loan Value Category	Small Business		Small Farm	
	Percentage of Loans Reviewed	Percentage of Total Dollar Amount	Percentage of Loans Reviewed	Percentage of Total Dollar Amount
Less than or Equal to \$100,000	78.1	25.6	89.7	36.4
Greater than \$100,000 and less than or Equal to \$250,000	15.6	35.3	3.4	8.6
Greater than \$250,000	6.3	39.1	6.9	55.0
TOTAL	100.0	100.0	100.0	100.0

COMPLIANCE WITH THE ANTIDISCRIMINATION LAWS AND REGULATIONS

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

