

PUBLIC DISCLOSURE

October 6, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Bank of Turley
284154
10-40-3435

6555 North Peoria Avenue, P. O. Box 6538
Tulsa, Oklahoma 74156-0538

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 such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of First Bank of Turley, Tulsa, Oklahoma, prepared by the Federal Reserve Bank of Kansas City, the institution's supervisory agency, as of October 6, 1997. 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: **Satisfactory** record of meeting community credit needs.

The bank has a satisfactory record of helping to meet the credit needs of its assessment area. The loan-to-deposit ratio has increased over the past six calendar quarters and is significantly higher than most other banks in nearby areas. A substantial majority of loans are within the bank's assessment area. In addition, the distribution of loans by income level of census tracts and among borrowers of different income levels and businesses of different revenue sizes reflects a satisfactory loan dispersion in the assessment area.

DESCRIPTION OF INSTITUTION

First Bank of Turley maintains one office located at 6555 North Peoria Avenue on the north side of Tulsa, Oklahoma. The bank is easily accessible to the entire community. Extended lobby hours are offered on Friday and the motor bank is open until noon on Saturday.

The bank is primarily a residential real estate and commercial lender. However, it offers a variety of loan products to meet the needs of customers in the assessment area. As stated in the bank's CRA public files, the types of credit offered by the bank include home purchase and refinance, home improvement, consumer installment and single-payment, agricultural, and business loans.

According to the bank's June 30, 1997 Consolidated Reports of Condition and Income (Call Report), the bank's assets totaled \$42,460M. Loans comprised \$29,032M, or 68 percent of the bank's assets. Table 1 shows the distribution of the bank's loan portfolio as of the most recent Call Report.

Table 1 BANK'S LOAN PORTFOLIO (As of 06-30-97)		
Loan Type	Amount (\$000)	Percent of Total
Secured by 1- to 4-family residential	14,707	50.7
Commercial	6,491	22.4
Consumer	3,483	12.0
Construction and land development	2,801	9.6
Nonfarm nonresidential	917	3.2
Agricultural	483	1.6
Other	150	0.5
Total	29,032	100.0

There are no legal or financial factors 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 on January 22, 1996, when a rating of satisfactory was assigned.

DESCRIPTION OF ASSESSMENT AREA

First Bank of Turley's assessment area is an unincorporated community in Tulsa County on the north side of the Tulsa Metropolitan Statistical Area (MSA). The bank's assessment area includes 19 census tracts located in northern Tulsa County and two census tracts located at the southeast side of Osage County, west of Tulsa County. According to 1990 census data, the assessment area has a population of 58,572.

Based on census data, 13 of the 21 tracts in the assessment area are classified low- or moderate-income and are located in Tulsa County. The median family income for the assessment area is \$25,471, compared with \$32,578 for the Tulsa MSA and \$28,554 for Oklahoma statewide. Overall, the economy of the assessment area is stagnant while the economy of the Tulsa MSA is growing.

According to data published by the Regional Employment and Income Series (REIS), the largest employment sectors in the community are services, retail trade, and manufacturing. However, the labor force has shown minimal growth in recent years. The largest percentage increases from 1990 to 1994 were in agricultural services and construction. During this same period, labor force decreases were noted in mining, manufacturing, wholesale trade, and farm employment.

Housing market statistics generated from census data indicate that 61 percent of the total

housing units in the bank's assessment area are owner-occupied units, 23 percent are rental units, and 16 percent are vacant units. The percentage of units that are owner-occupied slightly exceeds the level in the Tulsa MSA and Oklahoma statewide. This suggests that there may be a lower demand for home purchase loans by area residents and possibly a higher demand for home refinancing and home improvement loans. In contrast, the percentage of rental units is significantly less than that in the MSA and statewide, indicating that a greater percentage of people in the assessment area own their homes because of the lower housing cost relative to the MSA overall. The median housing value of \$40,596 is significantly less than the MSA and Oklahoma median values of \$58,521 and \$47,643, respectively. The resulting affordability ratio for the assessment area is .531 percent which is slightly above the MSA and state levels at .461 percent and .495 percent, respectively, thus confirming the high home ownership statistic. Values closer to 1.0 indicate greater affordability which means that housing in the bank's assessment area is more affordable than housing in the MSA or Oklahoma statewide. The affordability ratio represents the amount of single family owner-occupied housing that a dollar of income can purchase for the median household in the geography.

Assessment area characteristics are summarized in Table 2.

Table 2 BANK ASSESSMENT AREA CHARACTERISTICS (Based on 1990 Census Data)	
Income Summary	
Median Family Income	25,471
Percent Low-Income Families	18.4
Percent Moderate-Income Families	30.9
Percent Middle-Income Families	38.2
Percent Upper-Income Families	12.5
Total Numer of Census Tracts	21
Number of Low-Income Tracts	4
Number of Moderate-Income Tracts	9
Number of Middle-Income Tracts	6
Number of Upper-Income Tracts	2
Tracts with Zero Population and Housing	1
Labor Summary	
Labor Force Population (Assessment Area)	26,529
Percent Unemployment (Assessment Area)	9.2
Percent Unemployment (Tulsa MSA)	5.8
Percent Unemployment (State)	6.7

Community contacts, including a local businessman and a school official, indicated that area financial institutions are satisfactorily meeting the credit needs of residents. Both contacts stated that home improvement loans are the most needed credit product and are readily available from local banks. Each contact emphasized the lack of growth prospects for business and population in the community because of the unincorporated status of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Four factors were considered in evaluating the bank's CRA performance. First, a review of the bank's level of lending in relation to its deposits and in comparison to other financial institutions in the area was performed. In addition, the concentration of loan originations by the bank within its assessment area and the distribution of loans by income level of

census tracts was reviewed. Also, the bank's level of lending to borrowers of different income levels and businesses of different sizes was evaluated. Since the bank has not received any complaints about its performance relative to the CRA, an evaluation of this factor was not conducted. As previously noted, two members of the local community were interviewed to obtain insight about the credit needs of the community and the individuals' views about the bank's ability to meet those credit needs.

First Bank of Turley's quarterly loan-to-deposit ratio averaged 74 percent since the previous CRA performance evaluation conducted on January 22, 1996. The ratio has trended upward over the past six calendar quarters. The bank's average ratio is higher than two similarly-sized banks in the area that averaged 47 and 68 percent during the same time period. In addition, the bank's ratio was significantly higher than two other area banks and another bank with branches in the assessment area. Ratios for those banks ranged from 35 to 47 percent. Overall, the bank's loan-to-deposit ratio is strong relative to the institution's size, financial condition, and credit needs of the assessment area

A majority of the bank's lending occurred within its assessment area. Of the 180 loans reviewed, 138 loans or 77 percent were to borrowers in the assessment area. Table 3 shows the percentage of loans, by product type, reviewed during this examination that were originated to borrowers located within the bank's assessment area. In addition, the review revealed that 74 percent of the dollar volume of loans was inside the assessment area.

Table 3 LOANS INSIDE THE BANK'S ASSESSMENT AREA	
Loan Type	Percent of Loans Reviewed
Home Purchase	73
Home Improvement	76
Home Refinancing	77
Small Business	84
Combined Loans	77

The distribution of loans originated by the bank reflects reasonable penetration in the various geographies considering the area demographics and the location of competitor institutions in closer proximity to the low-income census tracts. Based on 1990 census data, 18 percent of the assessment area population live in the low-income census tracts, 31 percent live in the moderate-income tracts, 38 percent live in the middle-income tracts, and 13 percent live in the upper income tracts. In comparison, the bank originated 13 percent, 15 percent, 64 percent, and 8 percent of the loan sample reviewed in the low-moderate-, middle-, and upper-income census tracts, respectively. Although 62 percent

of the bank's assessment area is comprised of low- and moderate-income tracts, only 28 percent of the loans reviewed were originated in those tracts. This is reasonable, however, given the fact that only 49 percent of the population resides in the low- and moderate-income census tracts. In addition, several other factors affect the bank's ability to lend in those tracts. For instance, a large percent of households in those tracts have incomes below the poverty level. In the low-income tracts, 36 percent of households are below the poverty level, and in the moderate-income tracts, 23 percent of households are below the poverty level. There are also several boarded-up housing units in the low- and moderate-income tracts. Approximately 94 percent of the assessment area's 545 boarded-up housing units are in low- and moderate-income census tracts. Therefore, the reduced number of loans to these tracts within the bank's assessment area may be due to a low loan demand from lower income individuals.

The bank's reasonable level of lending by income level of census tracts is further supported by the bank originating loans in 18 of the 21 census tracts in its assessment area. Of the three tracts with no loan originations, the 1990 census notes that one tract has zero population and zero housing due to the existence of a large poultry processing plant, agricultural land, and an extensive flood zone. The remaining two tracts are low-income tracts at the south side of the assessment area which are more easily served by other banks in closer proximity. Table 4 summarizes the loans reviewed.

Income Level of Census Tracts	Percent of Home Purchase Loans Reviewed	Percent of Home Improve Loans Reviewed	Percent of Home Refinance Loans Reviewed	Percent of Small Business Loans Reviewed	Combined Percent of Total Loans Reviewed	Percent of Census Tracts in Bank's Assessment Area
Low (<50 percent of median)	10	27	14	6	13	19
Moderate (50 to 80 percent of median)	14	18	17	13	15	43
Middle (80 to 120 percent of median)	73	45	67	58	64	29
Upper (>120 percent of median)	3	10	2	23	8	9
Total	100	100	100	100	100	100

The bank's distribution of loans reviewed among individuals of different income levels and loans to businesses of different sizes is reasonable given the demographics of the assessment area. Low- and moderate-income individuals account for 49 percent of the assessment area's population while 39 percent of the bank's loans in the sample reviewed were to borrowers in these two income levels. The demand for credit by these income groups is lower due to the high number of families in the bank's area living below the poverty level as previously discussed. Families living below the poverty level throughout the bank's assessment area is 17 percent, compared to 10 percent in the MSA. In addition, the bank's assessment area has a higher unemployment rate at 9 percent than the

MSA at 6 percent, which also contributes to a lower loan demand. Nevertheless, the bank's distribution of loans to borrowers of all income levels is reasonable, given the area's demographics and the local credit demand. The results of the loan review for various loan products by borrower income level are summarized in Table 5.

Table 5 DISTRIBUTION OF LOANS REVIEWED IN THE BANK'S ASSESSMENT AREA BY INCOME LEVEL OF BORROWER					
Estimated 1997 Median Family Income (Assessment Area)			\$36,100		
Income Level of Borrower	Percent of Home Purchase Loans Reviewed	Percent of Home Improve Loans Reviewed	Percent of Home Refinance Loans Reviewed	Combined Percent of Total Loans Reviewed	Percent of Population in Bank's Assessment Area
Low (<50 percent of median)	10	27	17	16	18
Moderate (50 to <80 percent of median)	35	14	14	23	31
Middle (80 to <120 percent of median)	8	23	33	20	38
Upper (=>120 percent of median)	47	36	36	41	13
Total	100	100	100	100	100

Based on the level of business revenue, the sample of commercial loans reviewed revealed that 94 percent of commercial loans within the assessment area were made to small businesses. Small businesses are defined as having gross annual revenues of \$1MM or less. As depicted in Table 6, the distribution of loans to small businesses of varying revenues reflects a reasonable dispersion. Moreover, 74 percent of the originations to small businesses within the bank's assessment area were for amounts equal to or less than \$100M, further indicating that the bank is meeting the credit needs of smaller businesses.

Table 6 DISTRIBUTION OF LOANS AND AMOUNTS TO SMALL BUSINESSES IN THE BANK'S ASSESSMENT AREA				
Loan Size	Businesses With Revenues Under \$1MM			
	Number of Loans	Percent of Total	Amount of Loans	Percent of Total
<=\$100,000	27	96	\$296,012	74
>\$100,000 and <=\$250,000	1	4	\$104,107	26
>\$250,000	-	-	-	-
Total	28	100	\$400,119	100

No substantive violations of the antidiscrimination laws and regulations were identified.

Furthermore, reviews of bank policies, credit applications, loans, and interview procedures revealed no prohibited practices designed to discourage loan applicants.