



Comptroller of the Currency
Administrator of National Banks

(LARGE BANK)

Washington, DC 20219

Public Disclosure

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Community Reinvestment Act Performance Evaluation

**First National Bank & Trust Company of McAlester
Charter Number: 5052**

**235 East Choctaw
P. O. Box 948
McAlester, Oklahoma 74502**

Office of the Comptroller of the Currency

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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.

Table of Contents

General Information	3
Definitions	4
CRA Rating	6
DESCRIPTION OF INSTITUTION & ASSESSMENT AREA	7
Conclusions with Respect to Performance Tests	9
LENDING TEST	9
INVESTMENT TEST	17
SERVICE TEST	18
Fair Lending Review	20
Appendix A: Scope of Examination	21

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 CRA performance of **First National Bank & Trust Co. of McAlester**, prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **November 2, 1998**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all, of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, and not a strict legal definition.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties or parishes, including large population centers and nearby communities that have a high degree of interaction.

Assessment Area (AA) - This area is defined by the bank. It is the geographical boundary where the bank's Community Reinvestment Activities are evaluated.

Home Mortgage Disclosure Act (HMDA) - A statute that requires certain mortgage lenders that do business or have banking offices in a MSA to file annual summary reports of their mortgage loan application activity. The reports include such data as applicant race, gender and income, the amount of loan requested, and its disposition (e.g., approved, denied, withdrawn).

Federal Home Loan Bank (FHLB) - The former regulator of savings and loan institutions now dedicated to providing funds and services to member financial institutions. It provides grants to certain organizations on application for affordable housing and community development.

Community Development Corporation (CDC) - An entity organized to provide affordable housing and other community development services to a designated area.

Automated Teller Machine (ATM) - A machine offering limited banking services including dispensing cash and accepting deposits or loan payments.

Block Numbering Area (BNA) - Small, locally defined statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations located in non-metropolitan statistical areas. A BNA has defined boundaries per ten year census.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of census tracts. The median income determined by the United States Department of Housing and Urban Development (HUD) annually is used to determine the income level category of individuals. The median is the point at which half of the families have income above it and half below it.

Low-Income - Income levels that are less than 50% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Upper-Income - Income levels that are 120% or more of the MFI.

Small Business Loans - Loans with an original amount of \$1 million or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Small Farm Loans - Loans with an original amount of \$500 thousand or less for which the bank is required to collect and report certain monitoring data under the CRA regulation.

Institution’s CRA Rating: This institution is rated “**Satisfactory**”.

The major factors which support this rating include:

- ▶ A good responsiveness to small business/farm and home credit needs in the assessment area.
- ▶ A substantial majority of small business/farm loans (90%) and home loans (91%) originated within the assessment area.
- ▶ A good dispersion of small business/farm and home loans throughout the assessment area.
- ▶ The distribution of loans to borrowers of varying income levels and small businesses is good.
- ▶ An adequate level of community development lending.
- ▶ The availability of flexible underwriting programs designed to assist borrowing needs of low- and moderate-income persons and small businesses.
- ▶ A significant level of qualified community development investments.
- ▶ Adequate access to delivery systems for the assessment area through branch, ATM and drive-thru locations.
- ▶ An adequate level of community development services provided.

The following table indicates the performance level of **First National Bank & Trust Co. of McAlester**, with respect to the lending, investment, and service tests.

Performance Levels	First National Bank & Trust Co. of McAlester Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High satisfactory	X	X	
Low satisfactory			X
Needs to improve			
Substantial noncompliance			

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION & ASSESSMENT AREA

First National Bank & Trust Company of McAlester, Oklahoma, (FNB&T) is a wholly-owned subsidiary of First of McAlester Corporation (FMC), a one bank holding company. Both organizations are headquartered in McAlester, Oklahoma, and are locally owned. FNB&T is the largest commercial bank domiciled in McAlester with an asset size approximating \$425 million. The bank also operates a CDC as a subsidiary.

FNB&T offers full service banking including commercial, real estate, consumer, home mortgage and agricultural loan products. Also, the bank offers an array of retail and commercial deposit products, as well as trust services. FNB&T serves their assessment area with a full service bank in McAlester (main bank), a full service bank in Hartshorne (branch), two drive-in facilities in McAlester, and six automated teller machines (ATMs) throughout the area. As of September 30, 1998, FNB&T's net loan-to-deposit ratio averaged 41 percent since September 30, 1996. The bank's primary business focus is commercial loans and commercial real estate lending. The loan portfolio composition as of September 30, 1998 consisted of:

Outstanding Loans by Type as of September 30, 1998		
Loan Type	\$ Volume (000)	% of Portfolio
1-4 Family Residential	\$37,157	26%
Commercial	25,292	18%
Commercial Real Estate	61,161	43%
Installment	13,523	9%
Agriculture & Farmland	5,896	4%
TOTAL	\$143,029	100%

Source: September 30, 1998 Call Report.

The banking environment is competitive. There are six financial institutions operating in Pittsburg County. Five are located in McAlester and one in Quinton. Three of the financial institutions are headquartered in Pittsburg County. FNB&T's competition includes: The Bank, N.A., (headquartered in McAlester); branches of Bank of Oklahoma, N.A.; Bancfirst (state-chartered); Superior Federal Savings Bank FSB; and, Farmers State Bank (headquartered in Quinton). Additionally, there are 3 full service credit unions and 11 Finance Companies

providing strong competition for consumer banking and mortgage services. As of June 30, 1997, FNB&T and The Bank, N.A. held a 58% and 25% market share, respectively, of deposits in Pittsburg County. Deposit information is gathered by the Federal Deposit Insurance Corporation on June 30 of each year.

There are no known legal or financial constraints which could impede CRA efforts. The bank is adequately capitalized and operates profitably. The OCC assigned a CRA rating of "Outstanding" during the last CRA evaluation ending September 23, 1996.

DESCRIPTION OF THE ASSESSMENT AREA (Non-MSA)

McAlester is located in Southeast Oklahoma and serves as the county seat of Pittsburg County. McAlester is the largest city in the county and serves as the primary trade center for the county and surrounding areas. FNB&T also services the community of Hartshorne (with a full-service branch) which is located approximately 15 miles southeast of McAlester.

FNB&T's assessment area is all of Pittsburg County consisting of 13 block numbering areas (BNAs). The following table shows the demographic characteristics of the assessment area:

FNB's ASSESSMENT AREA PROFILE BY INCOME LEVEL OF THE BNAs					
DEMOGRAPHIC CHARACTERISTICS	#	Low % of (#)	Moderate % of (#)	Middle % of (#)	Upper % of (#)
Population	40,581				
Family Distribution	11,536	0%	18%	62%	20%
Block Numbering Areas	13	0%	15%	62%	23%
Businesses	1,095	0%	10%	69%	21%
Farms	32	0%	13%	59%	28%
Owner Occupied Housing	12,000	0%	19%	61%	20%
Median Housing Value = \$34,574					
HUD Adjusted Median Family Income updated for 1997 = \$31,100					

Data Source: 1990 Census Data

Additional Information: (1990 Census Data)

- ▶ Approximately 37% of the households in the assessment area were reported as receiving Social Security.
- ▶ Households receiving public assistance total 9.76%.
- ▶ Households below the Poverty Level total 20.46%.

(These ratios are not mutually exclusive.)

Based on 1990 U.S. Census Data, the population for McAlester and Pittsburg County is reported at 18,900 and 40,581, respectively. McAlester is experiencing a slight population growth due to a relocation of civilian army jobs to the community. The economy is supported through the medical, state government, poultry, and electronic industries. Major employers in the area include: U.S. Army (Ammunition Plant); McAlester Regional Health Center; Oklahoma State Penitentiary; Simmons Foods, Inc.; and Boeing International. The economy remains stable with the 1997 unemployment rate for the county at 7.4%. The state and national unemployment rates are 4.1% and 5.0%, respectively.

Community contact information indicates a good involvement by the banks in the assessment area. Several community programs have historically been successful. One contact stated that there is a need for more affordable multi-family housing units.

Conclusions with Respect to Performance Tests

SCOPE OF REVIEW

This review covers the time period of January 1, 1997, to June 30, 1998, for the Lending Test. For the Investment and Service Tests, the review period covers the time period since the last review (when data was available) up to the date of this review. Banks are not required to collect and report data on consumer loan activity. FNB&T collected this data but errors in the data prohibited an analysis of consumer loans. Consumer loans comprise only 9% of the dollar volume of the loan portfolio. FNB&T is predominantly a commercial, non-residential real estate, and home mortgage lender.

LENDING TEST

Lending Activity

Lending levels reflect a good responsiveness to credit needs in the assessment area. A substantial majority of the number of small business/farm and home loans originated within the assessment area 90% and 91% respectively.

The bank's loan-to-deposit ratio was 41% at September 30, 1998, and has been stable during the review period. This ratio for banks in Pittsburg and surrounding

counties (20 banks) at June 30, 1998, ranged from a low of 32% to a high of 84% with an average of 54%. For the three banks headquartered in Pittsburg County at June 30, 1998, FNB&T's ratio was the lowest with the two additional banks reporting a 67% and 61% ratio. Both of the banks are significantly smaller in total deposits than FNB&T. One reason for the lower ratio by FNB&T is that it historically maintains out-of-territory deposits, as well as public funds. The bank's loan-to-deposit ratio is considered reasonable.

The bank also offers flexible loan products geared towards low- and moderate-income borrowers. Please refer to the section of this evaluation titled "Product Innovation and Flexibility" for additional detail.

Please refer to the "Community Development Lending" section of this evaluation for information on the bank's community development loans.

Assessment Area Concentration

Small Business and Farm Loans

FNB&T originated 602 small business/farm loans totaling more than \$26 million during the review period. This equates to an average loan size of just over \$44 thousand. A high percentage of these loans, both in number and dollar amount, were made in the assessment area. The following table illustrates activity for this review period.

Volume of Small Business and Small Farm Loan Originations in 1997 and YTD 1998 Within the Assessment Area						
Loan Product	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
Small Business	359	\$17,462	323	90%	\$14,639	84%
Small Farm	98	\$2,507	79	81%	\$1,801	72%
Total 1997	457	\$19,969	402	88%	\$16,440	82%
Small Business	169	\$11,351	161	95%	\$9,920	87%
Small Farm	45	\$403	39	87%	\$309	77%
Total YTD 1998	214	\$11,754	200	93%	10,229	87%
Grand Total	671	\$31,723	602	90%	\$26,669	84%

Source: Bank-prepared Small Business and Small Farm Data Collection Registers

Home Mortgage Loans

FNB&T originated 747 home loans (this includes purchases, refinances and home improvement) totaling more than \$24 million between January 1, 1997 and September 30, 1998. This equates to an average loan size of just over \$33 thousand. A high percentage of these loans, both in number and dollar amount, were made in the assessment area. Aggregate HMDA data for the top 10 lenders reporting activity in this non-MSA show total originations/purchases of home loans to be 504 loans in 1997. FNB&T originated 439 home loans in addition to these 504 home loans. The following table illustrates activity for this review period.

Volume of Home Mortgage Loan Originations in 1997 and YTD 1998 Within the Assessment Area						
	Total Originations		Within the Assessment Area			
	#	\$ (000)	#	%	\$ (000)	%
1997	481	\$15,413	439	91%	\$13,841	90%
YTD 1998	344	\$12,646	308	90%	\$10,940	87%
Total	825	\$28,059	747	91%	\$24,781	88%

Source: Loan Application Register and Bank internal reports. Includes originations, refinances, and home improvements

Geographic Distribution of Loans within the Assessment Area

Small Business and Farm Loans

The geographic distribution of small business/farm loans reflects a good dispersion throughout the assessment area. The following table shows the number of small business/farm loans originated within the assessment area during the review period. It also provides the number and corresponding percentage of businesses/farms located in moderate, middle and upper income BNAs. There are no low income BNAs in the assessment area.

Distribution of Small Business and Farm Loan Originations in 1997 & YTD 1998 Within the Assessment Area By Income Level of the BNA								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Block Numbering Areas	0	0%	2	15%	8	62%	3	23%

Number of Businesses	0	0%	111	10%	756	69%	228	21%
Number of Farms	0	0%	4	13%	19	59%	9	28%
Loan Product	#	%	#	%	#	%	#	%
Small Business	0	0%	43	13%	210	65%	70	22%
Small Farm	0	0%	28	35%	38	48%	13	16%
Total 1997	0	0%	71	18%	248	62%	83	21%
Small Business	0	0%	27	17%	89	55%	45	28%
Small Farm	0	0%	19	49%	17	44%	3	8%
Total 1998 YTD	0	0%	46	23%	106	53%	48	24%
Grand Total	0	0%	117	19%	354	59%	131	22%

Source: Dun & Bradstreet Business Demographic Data and bank-prepared Small Business and Farm Loan Data Collection Register

The number of small business/farm loans in the moderate-income BNAs is good considering the number of businesses and farms located in these areas. The number of loans actually exceeds the number of businesses and farms. The dispersion of loans in the middle- and upper-income BNAs is consistent with the number of businesses and farms located in these areas. Additionally, loans were made in all of the BNAs in the assessment area.

FNB&T's market share for small business loans in moderate-income BNAs equals 90%. This percentage exceeds the overall market share for all BNAs at 71%. This analysis does not include the loan numbers for one of the bank's strong competitors which is not required to report this data as their asset size is significantly below FNB&T's. The following table shows information relating to loans made to entities with revenues less than \$1 million.

1997 Small Business/Farm Loan Originations Market Share Loans to Entities with less than \$1 million in Annual Revenues Within the Assessment Area by Income Level of the BNA									
	All BNAs			Low-Income BNAs			Moderate-Income BNAs		
Loan Product	#	% Mkt	Rank	#	% Mkt	Rank	#	% Mkt	Rank
Small Business	258	71.0%	1	NA			38	90.0%	1

Small Farm	74	54.0%	1	NA			26	79.0%	1
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Source: Small Business Aggregate Data & Bank Internal Reports

Home Mortgage Loans

The geographic distribution of home loans reflects a reasonable dispersion throughout the assessment area. The following table shows the number of home loans made within the assessment area during the review period. It also displays the number and corresponding percentage of owner occupied units in moderate-, middle-, and upper-income BNAs. There are no low-income BNAs.

Distribution of Home Mortgage Loan Originations in 1997 and YTD 1998 Within the Assessment Area By Income Level of the BNAs								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
Block Numbering Areas	0	0%	2	15%	8	62%	3	23%
BNAs Penetrated (% of BNAs in income group)	0	0%	2	100%	8	100%	3	100%
Number of 1-4 Family Units (Owner Occupied)	0	0%	2,268	19%	7,338	61%	2,394	20%
Median Year Built of Housing	NA		1967		1968		1965	
	#	%	#	%	#	%	#	%
1997	0	0%	74	17%	251	57%	114	26%
1998 YTD	0	0%	38	12%	182	59%	88	29%
Total	0	0%	112	15%	433	58%	202	27%

Source: 1990 Census Data, U.S. Census Bureau and Bank Internal Records

The number of home loans made in middle-income BNAs is significantly greater than the number of loans made in moderate-income areas. FNB&T originated a high number of loans in the moderate-income BNAs compared to other lenders in the assessment area. All lenders reporting Aggregate HMDA data in this non-MSA reported a combined total of 59 home loans in the moderate-income BNAs for 1997, while FNB&T originated 74 loans in these areas. Also, the overall dispersion throughout the assessment area is consistent with the dispersion of owner occupied units throughout the assessment area as noted in the table above.

Distribution by Borrowers' Income within the Assessment Areas

Small Business and Small Farm Loans

FNB&T has been responsive to small business/farm borrowers within its assessment area. The following table shows the bank's willingness to make loans of various sizes to businesses with revenue levels under \$1 million.

Distribution of Small Business/Farm Loan Originations in 1997 and YTD 1998 Within the Assessment Area By Loan Size and Business Revenues									
Loan Size					Annual Revenues < \$1 Million				
		#	%	\$ (000)	%	#	%*	\$ (000)	%*
less than \$100,000	small business	378	87%	\$8,063	34%	346	92%	\$6,887	85%
	small farm	111	97%	\$1,542	74%	108	97%	\$1,514	98%
\$100,000 to \$250,000	small business	35	8%	\$6,224	26%	17	49%	\$2,677	43%
	small farm	3	3%	\$530	26%	2	67%	\$280	53%
\$250,000 to \$1,000,000	small business	21	5%	\$9,220	39%	5	24%	\$1,900	21%
	small farm	0	0%	\$0	0%	0	0%	\$0	0%
TOTALS	small business	434	100%	\$23,507	100%	368	85%	\$11,464	49%
	small farm	114	100%	\$2,072	100%	110	96%	\$1,794	87%
Distribution of Businesses in the Assessment Areas by Annual Revenues of the Business or Farm:				< 1 Million	77%	*As a percentage of loans of the size category			
				> 1 Million	6%				
				Unknown	17%				

Source: Dun & Bradstreet Business Demographic Data and bank-prepared Small Business and Farm Data Collection Registers

The majority of the small business/farm loans has been to borrowers with revenues of less than \$1 million. Also, the table above notes that a substantial majority of those loans have been less than \$100,000. The average loan size of the 346 small business loans above is only about \$20,000. FNB&T's lending performance is reflective of the demographic make up of the assessment area. 85% of the small business loans are to companies with annual revenues under \$1 million, while 77% of the businesses within the assessment area have annual revenues under \$1 million.

Home Mortgage Loans

FNB&T originates home loans to individuals and families of different income levels. The following table reflects activity during the review period and also presents the distribution of families living in the assessment area according to their income level.

Distribution of Home Mortgage Loan Originations in 1997 and YTD 1998 Within the Assessment Area By Income Level of the Borrower								
Assessment Area Data	Low-Income		Mod-Income		Middle-Income		Upper-Income	
2467	2,467	21%	2,276	20%	2,311	20%	4,482	39%
Loan Product	#	%	#	%	#	%	#	%
1997	44	10%	78	18%	119	28%	181	43%
1998 YTD	19	7%	55	19%	69	24%	146	51%
Grand Total	63	9%	133	19%	188	26%	327	46%

Source: 1990 Census, U.S. Census Bureau, and Bank Internal Records

FNB&T's distribution of loans to low-income borrowers appears poor when compared to the percentage of low-income families noted above. However, 20.46% of households in the assessment area below the poverty level. It is feasible to assume that a portion of these households are not regular users of traditional bank mortgage products and that many, who may reside in publicly subsidized housing projects, do not seek mortgage loans. The bank also offers a flexible loan product, "low income home loan program" (discussed later in this evaluation) in an attempt to meet the needs of low-income applicants. Additionally, FNB&T originated a high number of loans to low-income borrowers compared to other lenders in the assessment area. Aggregate HMDA data for all lenders reporting in this non-MSA originated only 30 loans in 1997 to low-income applicants, while FNB&T alone originated 44 loans to low-income applicants in 1997.

The distribution of loans to the moderate-, middle- and upper-income borrowers is consistent with the dispersion of families throughout the assessment area as noted in the table above.

Community Development Lending

FNB&T has originated an adequate level of community development loans considering competitive factors, the opportunities available within its assessment area, and its lending activities discussed previously in this evaluation. Community development loans are those whose primary purpose meets the definition of community development lending contained in the CRA regulation and that have not been considered in the review of small business/farm or home loans.

During the review period, FNB&T originated four loans totaling \$334,600 for affordable housing rental units and affordable housing purchase units.

Product Innovation and Flexibility

FNB&T uses flexible loan products in an effort to meet the credit needs of both individuals and small businesses. Some of the loans made in these programs were included in the loan data presented previously in this evaluation.

Basic loan products offered by the bank meet the competition. However, the bank has no minimum loan amounts and advertises that it makes loans as low as \$100. We noted that numerous loans are originated in amounts under \$1000.

The bank also offers VA and FHA mortgage loans in addition to conventional mortgages. These loans are subsequently sold in the secondary market once originated and are included in the home loan numbers presented previously in this evaluation. During the review period the bank originated (19) VA mortgages totaling \$1,180,100. Additionally, (8) FHA loans totaling \$402,300 were originated.

FNB&T also participates in SBA lending programs. At September 30, 1998, the bank had (3) SBA loans outstanding totaling \$285,304.

Other flexible loan programs offered by the bank with amounts outstanding at September 30, 1998, include:

- ▶ A “Low Income Consumer Loan Program” with credit qualification criteria and special pricing which offers a below market interest rate on all types of consumer loans. The qualification for this special program is based on the level of the applicant’s income compared to the non-MSA median income.
187 loans totaling \$488,740
- ▶ A “Low Income Home Loan Program” with credit qualification criteria and special pricing which offers a below-market interest rate on 1-4 family real estate financing.
53 loans totaling \$566,158
- ▶ A “Low Income First Time Buyer Loan Program” with credit qualification criteria which is somewhat more liberal than those traditionally used for more seasoned users of credit. Qualification is based on the level of the applicant’s income compared to information defining low- and moderate-income levels.
60 loans totaling \$1,134,804
- ▶ A “Minority and Women New Business Loan Program” designed to provide initial financing coupled with a grant program from First National Development

Corporation to assist in supporting new business ventures in the bank's assessment area.

2 loans totaling \$28,788

- ▶ A "New Small Business Loan Program" designed to meet the needs of financing for start up small business enterprises.

3 loans totaling \$560,478

INVESTMENT TEST

The bank's level of qualified community development grants and investments is significant for an institution of its size in a market where opportunities for community development investments are somewhat limited. Qualifying investments are investments, deposits, membership shares or grants that have as their primary purpose community development, as defined in the CRA regulation. Based on information provided by the bank, FNB&T, its subsidiary First National Development Corporation (a CDC formed by the bank in 1981), and the parent holding company made 13 qualifying community development grants and in-kind contributions totaling \$1,876,273, and held a qualifying bond with a balance of \$380,000. The total amount of grants was centered in one donation of \$1.6 million.

The bond funds were used to construct out-patient medical facilities with services geared to low- and moderate-income persons. Grants were made to several organizations for purposes such as assisted living for lower income senior citizens, job development, job training and social services all geared toward low- and moderate-income citizens of the assessment area. The \$1.6 million grant went to construct a local higher education facility. This grant was a bank initiated project and assisted in obtaining other private and government funding for the project. Future endeavors of this project will include subsidized tuition and subsidized day-care facilities for local needy students.

SERVICE TEST

Delivery systems are reasonably accessible to essentially all portions of the assessment area. All locations provide deposit services. Some locations offer only limited loan services.

Retail Banking Services

FNB&T has a main bank and two drive-in facilities in McAlester, one branch in Hartshorne, and six ATMs. The main bank and branch offer an array of loan and

deposit services. The drive-in facilities only offer deposit services. However, loan officers will see any applicant by appointment. Extended weekday hours are offered at all locations. The branch and drive-in facilities also feature Saturday hours. In addition to the extended hours, there are six ATMs distributed throughout their assessment area. No branches have been opened or closed during this evaluation period.

Community Development Services

FNB&T provides an adequate level of community development services. Community development services must have a primary purpose of community development and relate to the provision of financial services. Officers and employees provided their financial expertise during this evaluation period by providing financial education to potential first-time home buyers and technical expertise to promote community development and economic revitalization. Below is a list of community development services:

- Consumer Credit Counseling Services - Senior Management was instrumental in bringing this service to the community from Tulsa, Oklahoma. The service is designed to counsel and help low- and moderate-income individuals having credit problems to arrange payment plans to keep them out of bankruptcy situations, manage credit, and provide financial planning. One on one service is available every Thursday in McAlester. FNB&T provides office space to the Consumer Credit Counseling Services at a reduced rate.
- Check Cashing Services - Provide free check cashing services to employees of Simmons Food, a chicken processing plant employing mostly low- to moderate-income people. The service is provided regardless of whether the employee maintains a deposit account at this bank. Fee paid check cashing services are also provided for other non-bank customers.
- FNB Community Development Corporation (CDC) - The Vice-Chairman of FNB&T serves on this board and provides technical assistance on financial matters. This affiliate organization serves low- and moderate-income housing or economic revitalization and development needs.
- McAlester Economic Development Services, Inc. - FNB&T's Vice-Chairman and one bank employee serve as board members and provide technical assistance on financial matters to a local organization which is instrumental to bringing businesses to the community and creating new jobs. The organization has also provided job training.
- Home buyer Education Class - A one time, day long seminar conducted by an FNB&T mortgage loan officer to explain home ownership. Specific items addressed during the seminar were:

- o Preparing for Home ownership
- o Shopping for a Home
- o Negotiating the Purchase Contract, and
- o Obtaining a Mortgage

Fair Lending Review

A fair lending review was performed using procedures from the OCC's *Community Bank Consumer Compliance Handbook* dated August 1995. This included a comparative file review to detect the potential for illegal discrimination. The review focused on a selected group of owner-occupied conventional home purchase loans. Ten Native American denials were compared with seventy-five White approvals. In addition, the bank's internal fair lending review procedures were analyzed. Our review revealed no evidence of illegal discrimination or other violations of fair lending laws and regulations with regard to the processing of these applications.

Appendix A: Scope of Examination

Time Period Reviewed	January 1, 1997 to November 2, 1998 and, in certain instances from September 23, 1996, to November 2, 1998		
Financial institution First National Bank & Trust Company of McAlester McAlester, Ok			Products reviewed Small business, Small farm, and Hme Loans (home purchase and refinance, home improvement)
Affiliate(s)	Affiliate relationship		Products reviewed
First National Development Corporation	CDC Subsidiary		Investments/Services
First of McAlester Corporation	Holding Company		Investments
List of Assessment Areas and Type of Examination			
Assessment Area	Type of Exam	Branches Visited	Other Information
Non-MSA - Pittsburg County	on-site	0	