



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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## **PUBLIC DISCLOSURE**

**June 9, 2003**

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

**Quail Creek Bank, National Association  
Charter Number 16405**

**12201 North May Avenue  
Oklahoma City, Oklahoma 73120**

**Comptroller of the Currency  
Assistant Deputy Comptroller Kyle M. Jones  
The Harvey Parkway Building, Suite 490  
301 N.W. 63<sup>rd</sup> Street  
Oklahoma City, Oklahoma 73116**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## **INSTITUTION'S CRA RATING**

**This institution is rated Satisfactory.**

The major factors that support this rating include:

- A majority of the bank's loans were made within the assessment area (AA).
- The bank's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance.
- The bank's distribution of loans among borrowers of different income levels throughout its AA is satisfactory.
- The bank's distribution of loans to census tracts of various income levels throughout its AA is good.
- The bank has not received any consumer complaints regarding CRA performance.

Quail Creek Bank, N.A., is committed to serving the community. This is demonstrated by the satisfactory lending performance as described in this Performance Evaluation.

## DESCRIPTION OF INSTITUTION

Quail Creek Bank, N.A. (QCB) is headquartered in Oklahoma City, Oklahoma. The bank is 100 percent owned by Quail Creek Bancshares, Inc., a one-bank holding company, headquartered in Oklahoma City, Oklahoma.

QCB's operations are located in northwest Oklahoma City, with its AA encompassing portions of west and northwest Oklahoma City and Edmond, all located within Oklahoma County. The bank has one office located at 12201 North May Avenue, Oklahoma City, Oklahoma, which is located in an upper-income census tract. A drive-in facility is located at this location. An Automated Teller Machine (ATM) is located adjacent to the bank. The bank also offers telephone banking and internet banking as alternative distribution methods. QCB's primary focus is to provide financial services to commercial businesses and consumers in their AA. The bank meets these needs by providing various types of loan and deposit products.

As of March 31, 2003, QCB's total assets equaled \$266 million, of which \$198 million, or 74 percent, were composed of various types of loans to individuals and commercial businesses. The bank's loan portfolio is segmented as follows:

LOAN CATEGORY	\$ (000)	%
Commercial Real Estate Loans	124,484	62.86
Commercial Loans	25,325	12.79
Residential Real Estate Loans	38,816	19.60
Consumer Loans	9,424	4.75
<b>Total</b>	<b>198,049</b>	<b>100.00</b>

There are no legal or financial impediments to QCB's ability to meet the credit needs of their AA. The bank's CRA performance was last evaluated as of March 6, 1998, with a "*Satisfactory*" rating assigned.

## DESCRIPTION OF QUAIL CREEK BANK'S ASSESSMENT AREA

The AA adopted by QCB consists of whole geographies, does not reflect illegal discrimination, and does not arbitrarily exclude low- or moderate-income geographies. It meets the requirements of the CRA regulation.

<b>DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA</b>	
<b><i>Population</i></b>	
Number of Families	93,355
Number of Households	147,226
<b><i>Geographies</i></b>	
Number of Census Tracts/BNA	105
% Low-Income Census Tracts/BNA	0
% Moderate-Income Census Tracts/BNA	22
% Middle-Income Census Tracts/BNA	38
% Upper-Income Census Tracts/BNA	40
<b><i>Median Family Income (MFI)</i></b>	
2000 MFI for AA	\$45,059
HUD-Adjusted MFI	\$51,100
<b><i>Economic Indicators</i></b>	
% Unemployment Rate	2
2001 Median Housing Value	\$96,762
% of Households Below Poverty Level	10

Source: 2000 U.S. Census, and 2001 HUD updated MFI

QCB has defined their AA as portions of west and northwest Oklahoma City and Edmond, all located in Oklahoma County, consisting of 105 census tracts. Of these, there are no low-income census tracts, 23 tracts (22 percent) are considered moderate-income, 40 tracts (38 percent) are considered middle-income, and 42 tracts (40 percent) are considered upper-income tracts. Total population of the tracts is 352,521. Of the 160,147 total housing units, 91,373 or 57 percent are owner occupied. Households below the poverty level total 15,413 or 10 percent and households that receive public assistance total 4,748 or 3 percent of the total number of households.

Local banking competition is aggressive and includes several community, regional and national banks and/or branches of these financial institutions.

The economic conditions in the Oklahoma City metropolitan area are stable. However, the outlook is uncertain. Low interest rates have supported a strong housing market. A rebound in the energy industry continues to help the region by boosting employment and providing for income growth. However, the State of Oklahoma's budget crisis has resulted in the loss of state government jobs and services, as well as jobs in the education field. The city has also been negatively affected in the recent past by significant reductions or total loss of higher paying jobs, such as those at Celestial (formerly Lucent Technologies), Xerox, and Gulfstream.

A community contact was conducted during this review. The contact indicated that QCB and other local area financial institutions continue to be very active and take leadership roles in the Oklahoma City community and strive to meet the financial needs of the area.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

This Performance Evaluation (PE) assesses QCB's performance focusing primarily on five performance criteria: the loan-to-deposit ratio, lending in the AA, lending to borrowers of different incomes and to businesses of different sizes, geographic distribution of loans, and responses to complaints.

In evaluating the bank's lending performance, 338 home purchase, home improvement, and home refinance loans extended in 2001 and 2002, as recorded QCB's Home Mortgage Disclosure Application – Loan Application Register (HMDA-LAR), were assessed. Additionally, 264 business loans extended January 1, 2003 through May 31, 2003, were analyzed. Based on this analysis and consistent with available resources and capabilities, the bank is meeting the credit needs of its AA in a satisfactory manner.

### Loan-to-Deposit Ratio

QCB's lending activity within its AA is reasonable and meets the standard for satisfactory performance. This conclusion is based on an analysis of six banks of similar asset size in the bank's AA. As illustrated in the table below, three banks had loan-to-deposit ratios greater than QCB's, with three having loan-to-deposit ratios less than the bank's loan-to-deposit ratio.

INSTITUTION	ASSETS (000's) As of 3/31/03	AVERAGE LTD RATIO
First Commercial Bank, Edmond	132,828	100.17%
NBanC Bank, Oklahoma City	123,099	95.20%
First Enterprise Bank, Oklahoma City	159,828	93.46%
<b><i>Quail Creek Bank N.A., Oklahoma City</i></b>	<b>265,698</b>	<b>87.97%</b>
American Bank & Trust, Edmond	266,541	80.30%
The Citizens Bank of Edmond, Edmond	214,161	71.07%
First Bethany Bank & Trust N.A., Bethany	119,181	52.85%

QCB has a mortgage department that facilitates long-term mortgage lending. These mortgages are underwritten to secondary market guidelines and sold to investors in that market. For the first five months of 2003, the mortgage department originated 71 loans totaling over \$10 million, not reflected in the loan-to-deposit ratio.

## Lending in Assessment Area

QCB's lending in their AA meets the standard for satisfactory performance. A majority of loans reviewed were extended within the bank's AA. This conclusion is based on an analysis of 338 home purchase, home improvement and home refinance loans as reported on the 2001 and 2002 HMDA-LAR, and an analysis of 264 business loans extended from January 1, 2003 through May 31, 2003, as depicted in the following table:

TOTAL LOANS REVIEWED								
	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
LOAN TYPE	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Purchase	60	65%	4,144	64%	32	35%	2,277	36%
Home Improvement	39	63%	708	51%	23	37%	675	49%
Home Refinance	72	39%	3,340	36%	112	61%	5,985	64%
Business	182	69%	23,530	64%	82	31%	13,043	36%
Total Reviewed	353	59%	31,722	59%	249	41%	21,980	41%

## Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

QCB's overall distribution of loans by income level of borrowers meets the standard for satisfactory performance.

The bank's distribution of home purchase, refinance, and improvement loans by income level is satisfactory. The percentage of the number of home improvement loans to low-income borrowers compares favorably to the percentage of low-income families in the AA. The number and dollar volume of home purchase and home refinance loans are significantly less than the percentage of low-income families in the AA. However, these results are typical, as low-income persons are less likely to qualify to purchase or refinance a home. In the QCB's AA, a low-income person makes less than \$26 thousand annually, while the average median housing cost is \$97 thousand. The percentage of the number of home purchase loans to moderate-income borrowers is comparable to the percentage of moderate-income families in the AA, while the percentage of the number of home improvement and home refinance loans to persons in that income group is somewhat lower than the percent of their representation in the AA.

BORROWER DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Families	16.77%		15.65%		20.06%		47.52%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
Home Purchase*	0	0	11.67	6.30	23.33	8.35	71.66	84.15
Home Improvement	23.08	9.61	7.68	2.96	15.39	14.40	53.85	73.03
Home Refinance*	4.17	3.95	0	0	18.05	21.14	70.83	61.47

\*Two home purchase and five home refinance loan applicants did not disclose income information

Based upon an analysis of 264 commercial loans, the bank's loan distribution to small businesses in the AA is satisfactory. The number of loans extended to small businesses is comparable to the number of small businesses within QCB's AA, as depicted in the following table:

<b>BORROWER DISTRIBUTION OF SMALL LOANS TO BUSINESSES</b>		
<b>Business Revenues</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>
<b>% of AA Businesses</b>	79.30	8.27
<b>% of Bank Loans in AA #</b>	80.22	1.10
<b>% of Bank Loans in AA \$</b>	81.92	3.70

Note: # Businesses not reporting revenues was 12.44 percent.

QCB has also made a \$164 thousand investment in the *Oklahoma Metafund Community Development Corporation (Metafund)*. This is a certified Community Development Financial institution (CDFI) organized to provide credit and investment opportunities for community, economic, and workforce development; to aid and promote job creation and self-employment opportunities, housing and property development/rehabilitation and maintenance; and to assist underserved populations and investment areas throughout Oklahoma. It targets low- to moderate-income individuals, community revitalization, and small business funding throughout the state.

### Geographic Distribution of Loans

The geographic distribution of loans exceeds the standard for satisfactory performance. The percentage of the number of home purchase and home refinance loans extended in moderate-income census tracts exceeds the percentage of owner occupied housing in those census tracts in the AA. The number of home improvement loans extended in the moderate-income census tracts is similar to the percentage of owner occupied housing in those census tracts in the AA. These conclusions are also based on the analysis of home purchase, improvement, and refinance loans as reported on the 2001 and 2002 HMDA-LAR, as depicted in the following table:

<b>GEOGRAPHIC DISTRIBUTION OF RESIDENTIAL REAL ESTATE LOANS IN AA</b>								
<b>Census Tract Income Level</b>	<b>LOW*</b>		<b>MODERATE</b>		<b>MIDDLE</b>		<b>UPPER</b>	
<b>Loan Type</b>	<b>% of Number</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number</b>	<b>% of AA Owner Occupied Housing</b>	<b>% of Number</b>	<b>% of AA Owner Occupied Housing</b>
Home Purchase	0	0	28.33	14.62	36.67	34.11	35.00	51.27
Home Improvement	0	0	10.26	14.62	43.59	34.11	46.15	51.27
Home Refinance	0	0	40.28	14.62	29.17	34.11	30.55	51.27

\*There are no low-income census tracts in the bank's AA.



## **Responses to Complaints**

There have been no consumer complaints regarding the bank's Community Reinvestment Act performance during the evaluation period.

## **Fair Lending Review**

An analysis of 1999-2002 public comments and consumer complaints was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year.