



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

500 N. Akard
1600 Lincoln Plaza
Dallas, Texas 75201-3394

PUBLIC DISCLOSURE

April 22, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank in Burkburnett
Burkburnett, Texas
Charter Number 13668
300 East Third Street
Burkburnett, Texas 76354**

**Office of the Comptroller of the Currency
Southwestern District
500 North Akard
1600 Lincoln Plaza
Dallas, Texas 75201-3394**

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 CRA performance of **First National Bank in Burkburnett, Burkburnett, Texas**, prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of April 22, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 C.F.R. Part 25.

Institution's CRA Rating: This institution is rated "**Satisfactory**"

First National Bank in Burkburnett, Burkburnett, Texas (FNBB) actively seeks to make loans in its assessment area. Fees and charges assessed for loan products are reasonable and allow credit to be affordable to all segments of the assessment area. The loan-to-deposit ratio is higher than all other national and state chartered banks in the assessment area. Banking facilities and hours are adequate and serve the needs of the assessment area.

The following table indicates the performance level of First National Bank in Burkburnett, Burkburnett, Texas, with respect to each of the five performance criteria.

Small Institution Assessment Criteria	First National Bank in Burkburnett Performance Levels		
	<u>Exceeds Standards for Satisfactory Performance</u>	<u>Meets Standards for Satisfactory Performance</u>	<u>Does Not Meet Standards for Satisfactory Performance</u>
Loan-to-deposit ratio	X		
Lending in assessment area		X	
Lending to borrowers of different incomes and to businesses of different sizes		X	
Geographic distribution of loans		X	
Response to complaints	No complaints were received since the prior examination		

Description of Institution

First National Bank in Burkburnett (FNBB), is a full-service financial institution. FNBB is wholly-owned by First Burkburnett Bancshares, Incorporated. First Burkburnett Bancshares is wholly owned by First Burkburnett Nevada Financial Corporation. FNBB has total assets of \$87 million. In the previous CRA public evaluation dated August 29, 1995, FNBB was rated Outstanding.

FNBB has two locations. The main office is located at 300 East Third in Burkburnett, Texas. A branch office is located at 4100 Kell Boulevard in Wichita Falls, Texas. Wichita Falls is located approximately 13 miles south along Interstate Highway 44. Hours of operation vary at each location, with the Wichita Falls location open six days weekly. Automatic teller machines located at the Wichita Falls branch and 200 South Red River Expressway in Wichita Falls provide 24 hour deposit and withdrawal services. Automatic teller machines with 24-hour withdrawal services only are located at 311 South Avenue D in Burkburnett, and at 3103 Kemp Boulevard in Wichita Falls.

Various loan products are structured to serve the needs of the assessment area. FNBB has developed an active residential mortgage lending program that offers several different loan products. Long-term fixed rate loans secured by 1-4 family residential properties represent a large portion of total loans outstanding. Residential mortgages secured by 1-4 family dwellings comprised 52% of total loans as of 12/31/97. Actual residential mortgages originated were much greater. However, approximately \$62 million were sold to the secondary market and are not included in this percentage.

Commercial loans to businesses located in the assessment area are a secondary loan product. Commercial loans comprised 14% of total loans as of 12/31/97. Based upon a sample of loans reviewed during this examination, loans to businesses with gross revenues of \$1 million or less (small businesses) represent 90% of commercial loans originated. Consumer loans secured by automobiles, consumer products, and those granted on an unsecured basis are also available to borrowers residing in the assessment area. Consumer loans totaled 13% of total loans as of 12/31/97.

There are no financial, legal or economic impediments impacting FNBB's ability to meet the requirements of the CRA.

Description of Assessment Area

FNBB's assessment area is the county of Wichita, Texas. Wichita Falls is the largest city in the assessment area. There are other small cities and towns located within the assessment area as well. Several other financial institutions operate within the assessment area.

Major employers in the assessment area include: a United States Air Force base; PPG; Howmet; Cryovac; United Regional Health Care; and Superior Pallet. Since Burkburnett is near the Oklahoma border, a small number of customers from outside the assessment area commute to work and seek banking services in the assessment area.

The average income of \$36,600 for the assessment area is based upon the weighted average family income for the metropolitan statistical area of Wichita Falls. This includes the counties of Wichita and Archer. The income information is based on the 1997 Housing and Urban Development (HUD) statistics. FNBB's assessment area does not arbitrarily exclude low-or-moderate income census tracts. The assessment area meets the requirements established by the Community Reinvestment Act. The chart below illustrates a breakout of the census tracts by income characteristics.

Chart #1

Source: 1990 Census Bureau Statistics

Census Tract Income Characteristics	# of Tracts	Population	% of Population	# of Households	% of Households
LOW INCOME (<50% of MSA Median)	5	6,898	5.6%	2,566	5.6%
MODERATE INCOME (50-79% of MSA Median)	10	28,180	23.0%	9,670	21.3%
MIDDLE INCOME (80%-119% of MSA Median)	15	59,921	49.0%	22,049	48.6%
UPPER INCOME (>=120% of MSA Median)	8	27,379	22.4%	11,099	24.5%
Totals	38	122,378	100.0%	45,384	100%

= Number % = Percentage

As illustrated by the Chart #1, a substantial majority of the population and households reside in middle and upper income census tracts. The total population for the assessment area was approximately 122 thousand as of the 1990 census. Approximately 81% of households in the assessment area are one-to-four family units. The average housing cost is approximately \$51 thousand. Average monthly rental cost is approximately \$359 according to 1990 census data.

Unlike Chart #1, which shows the number of households in each low, moderate, middle or upper income census tract, Chart #2 illustrates the number of households by income levels within the census tracts.

Chart #2

Source: 1990 Census Bureau Statistics

Census Tract Income Characteristics	Low Income Households	Moderate Income Households	Middle Income Households	Upper Income Households
LOW INCOME (< 50% of MSA Median)	1,504	410	351	301
MODERATE INCOME (50%-119% Of MSA Median)	3,519	2,093	2,047	2,011
MIDDLE INCOME (80%-119% Of MSA Median)	4,295	3,295	4,536	9,924
UPPER INCOME (>=120% Of MSA Median)	1,726	1,283	1,717	6,373
TOTALS	11,044 20.5%	7,081 17.9%	8,651 22.0%	18,609 39.7%

Approximately 20% of all households in the assessment area are low income. The population of moderate income households is approximately 18%. Low income households are disbursed within all census tracts with the largest percentage residing in middle income census tracts. The largest percentage of moderate income households also reside in middle income census tracts.

Conclusions with Respect to Performance Criteria

FNBB’s average loan-to-deposit ratio exceeds the standards for satisfactory performance when compared to other national and state banks in the assessment area. FNBB has an average loan-to-deposit ratio of 75.5% for the previous 12 quarterly periods ending 12/31/97. The average loan-to-deposit ratios for other banks chartered in the assessment area are substantially lower, ranging from a low of 35.9% to a high of 62.1%. As of 12/31/97, FNBB’s loan-to-deposit ratio was 69.6%. Additionally, FNBB originated and sold approximately \$62 million in 1-4 family mortgages that are not included in the loan-to-deposit ratio.

Lending in the assessment area meets the standards for satisfactory performance. The majority of loans originated during 1996 and 1997 are within the assessment area. A sample of 999 mortgage loans originated between 1/1/96 and 12/31/97, showed 94% are within the assessment area. A sample of commercial loans originated between 1/1/96 and 12/31/97, indicated 90% of the number of loans originated are to businesses located in the assessment area. Chart #3 illustrates the numbers, dollars and percentages of loans in the assessment area obtained from the loan samples.

Chart #3**Source: Loan Sample**

(in thousands)

Loan Type	# in Assessment Area	% in Assessment Area	Dollars in Assessment Area	% of Dollars in Assessment Area
One-to-Four Family	940	94%	58,409	96%
Business Loans	35	90%	1,818	56%

FNBB meets the standards for satisfactory performance in lending to borrowers and businesses of different income levels. Loans to low income borrowers secured by 1-4 family dwellings totaled 5% of the number of loans originated. Loans to moderate income borrowers totaled 11% of the number of loans originated. This level of lending, although not comparable to the population of low and moderate income households (Chart #1) in the assessment area, exceeds all other lenders in the assessment area during 1996 (most recent data available for comparison).

Lending to small businesses meets the standards for satisfactory performance. Small businesses are defined by the CRA regulation as businesses with annual gross revenues of \$1 million or less. Approximately 90% of all commercial loans sampled (Chart #4), were extended to small businesses.

Chart #4**Source: Commercial Loan Sample**

(in thousands)

Distribution of Commercial Loans By Gross Revenues January 1996- December 1997				
	# of Loans	% of Total #	Total Dollars	% of Total Dollars
Gross revenues less than \$1 million	35	90%	1,716	53%
Gross revenues greater than \$1 million	4	10%	1,550	47%
Totals	39	100%	3,266	100%

FNBB meets the standards for satisfactory performance in the distribution of loans in the assessment area. Commercial loans are disbursed throughout those areas where commercial businesses are prevalent. One-to-four family mortgages are also located in most census tracts throughout the assessment area.

Census tracts within the assessment area with no activity are low income census tracts. These census tracts are located in and around downtown Wichita Falls, Texas. This part of Wichita Falls has not experienced new home starts in many years. The majority of homes in the area are older homes and/or rental properties. There are only 3,333 housing units in the 5 low income census tracts. Only 4% are owner occupied. Approximately 29% of the housing units are boarded up and vacant.

FNBB does not discourage lending in low income census tracts. They participated in the First Time Home Buyers Program administered by the City of Wichita Falls. This program assisted low and moderate income individuals and families with initial costs to purchase homes. The bank received no applications from low income census tracts during 1997.

There were no formal complaints pertaining to the Community Reinvestment Act received during the review period.

Compliance with the Equal Credit Opportunity Act, Fair Housing Act, and Home Mortgage Disclosure Act was reviewed concurrently with this examination. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified. FNBB has a good record of complying with anti-discrimination laws and regulations.